Trust Board Paper X

University Hospitals of Leicester NHS
NHS Trust

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 28 August 2014

COMMITTEE: Finance and Performance Committee

CHAIRMAN: Mr R Kilner, Non-Executive Director

DATE OF COMMITTEE MEETING: 30 July 2014

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

- Minute 75/14 – the 2014-15 UHL Working Capital Strategy is recommended for Trust Board approval (as appended to these Minutes).

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

- Minute 79/14/1 – Empath vision for a Joint Pathology Service between UHL and NUH
- Minute 79/14/4 – Vascular Service OBC
- Minute 80/14/1 – Month 3 cancer performance

DATE OF NEXT COMMITTEE MEETING: 27 August 2014

Mr R Kilner, Acting Trust Chairman
20 August 2014

Paper A

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

MINUTES OF A MEETING OF THE FINANCE AND PERFORMANCE COMMITTEE, HELD ON WEDNESDAY 30 JULY 2014 AT 8.30AM IN THE SEMINAR ROOMS A AND B, CLINICAL EDUCATION CENTRE, LEICESTER GENERAL HOSPITAL

Present:
Mr R Kilner – Acting Chairman (Committee Chair)
Mr J Adler – Chief Executive
Colonel (Retired) I Crowe – Non-Executive Director
Mr R Mitchell – Chief Operating Officer (up to and including Minute 81/14/2)
Mr S Sheppard – Acting Director of Finance
Mr G Smith – Patient Adviser (non-voting member)

In Attendance:
Ms L Bentley – Head of Financial Management and Planning
Mr N Callow – Empath Finance Director (for Minute 79/14/1)
Mr A Chatten – Managing Director, NHS Horizons (for Minute 79/14/3)
Mr J Clarke – Chief Information Officer (for Minute 79/14/2)
Ms C Kerry – Administration Services Manager (for Minute 81/14/1)
Mr B Lambden – Observing
Ms E MacLellan-Smith – Ernst Young (for Minute 81/14/1)
Mrs K Rayns – Trust Administrator
Dr P Shaw – Empath Managing Director (for Minute 79/14/1)
Ms K Shields – Director of Strategy (up to and including Minute 79/14/5)
Mr N Sone – Financial Controller (from Minute 81/14/3 and Minute 75/14))

RECOMMENDED ITEM **ACTION**

75/14 2014-15 WORKING CAPITAL STRATEGY

Paper N provided the proposed strategy for managing UHL's working capital in a way that ensured it remained a 'going concern' and had access to sufficient cash and liquid assets to meet its financial obligations going forward, through achievement of the identified 4 key objectives. This report (as prepared by the Interim Director of Financial Strategy prior to the conclusion of his interim appointment) was deferred from the 25 June 2014 meeting due to time constraints at that meeting.

The Financial Controller attended the meeting for this discussion, briefing members on the timetable for submission of applications to the TDA on 22 August 2014 and the work planned to take place with the TDA prior to the DoH submission in November 2014. Discussion took place regarding the opportunities for temporary borrowing and longer term financing in the form of Public Dividend Capital (PDC) alongside the typical interest rates that might be applied, eg 1.4% for temporary borrowing and 3.5% for PDC. Members noted that whilst the temporary borrowing options would appear to be more cost-effective, TDA guidelines might restrict the Trust from pursuing this option on a recurrent basis. Monthly reports would be produced for the Finance and Performance Committee on cash balances, interest receivable and payable, 13 week cash forecast including any corrective actions planned, details of any new borrowing and the annual forecast cash outturn.

Recommended – that (A) the 2014-15 Working Capital Strategy be recommended for Trust Board approval on 28 August 2014, and **CHAIR**

(B) reports on the Trust's cash position, interest receivable and payable, 13 week cash forecasts, details of any new borrowing and the annual forecast cash outturn be presented to the Finance and Performance Committee on a monthly basis. **ADF**

RESOLVED ITEMS **ACTION**

76/14 APOLOGIES

Apologies for absence were received from Ms J Wilson, Non-Executive Director.

77/14 MINUTES

Resolved – that the Minutes of the 25 June 2014 Finance and Performance Committee meeting (paper A) be confirmed as a correct record.

78/14 MATTERS ARISING PROGRESS REPORT

The Committee Chairman confirmed that the matters arising report provided at paper B detailed the status of all outstanding matters arising. Members received updated information in respect of the following items:-

(a) Minute 67/14/4 of 25 June 2014 – a post-implementation review of the Da Vinci robot would be presented to the Finance and Performance Committee in December 2014; **ADF**

(b) Minute 67/14/5 of 25 June 2014 – a briefing note on TTO prescriptions had been circulated by the Medical Director. The briefing note highlighted various risk mitigation measures but did not appear to fully address the Committee's concerns. A follow-up report was requested for presentation to the Quality Assurance Committee in September 2014; **MD/ CD, CSI**

(c) Minute 67/14/6(a) of 25 June 2014 – the Medical Director had escalated concerns regarding CMG delays in providing the trajectories for completion of medical job planning and the position had since improved. The Deputy Medical Director had also included an update on job planning software technical issues within paper B;

(d) Minute 67/14/6(b) of 25 June 2014 – the Chief Operating Officer confirmed that Obstetrics would be the "early adopters" of the e-rostering system for medical staff;

(e) Minute 67/14/8(b) of 25 June 2014 – the Director of Strategy advised that the job description and banding for the substantive Director of the Alliance was being finalised with a view to advertising the post in September 2014. It was agreed that the Alliance delegated approval limits would therefore be reviewed in December 2014; **ADF**

(f) Minute 67/14/8(c) of 25 June 2014 – the next update on the Alliance contractual performance would be provided to the Committee in October 2014; **IDA/DS**

(g) Minute 67/14/8(d) and (e) of 25 June 2014 – an update on opportunities for Asteral to support the Alliance and potential transfer of assets to UHL would be presented to the Committee in September 2014; **DS**

(h) Minute 68/14/1 of 25 June 2014 – assurance relating to any clinical risks relating to long waiting patients had been referred to the Quality Assurance Committee for further scrutiny. The Chief Operating Officer advised that any long waiting RTT patients had been addressed and that 90% of the outpatient lists had been validated; **QAC CHAIR**

(i) Minute 68/14/1(b) of 25 June 2014 – ambulance handover times were now included in the quality and performance report (paper J) and further discussion on the actions underway to improve ambulance handover arrangements took place under Minute 80/14/1(e) below;

(j) Minute 69/14/1 of 25 June 2014 – a report on workforce plans and the Trust's LTFM would be scheduled on the August 2014 Finance and Performance Committee meeting agenda, and **DHR**

(k) Minute 45/14/1(c) of 23 April 2014 – a meeting had been arranged between the Director of Strategy and the Medical Director to consider the arrangements for benchmarking performance of small clinical teams and seeking assurance that performance was being monitored appropriately. An update would be provided to the September 2014 Finance and Performance Committee meeting. **DS/MD**

Resolved – that the matters arising report and any associated actions above, be noted. **NAMED LEADS**

79/14 STRATEGIC MATTERS

79/14/1 Delivering the Empath Vision for a Joint Pathology Service between UHL and NUH

Mr N Callow, Empath Finance Director and Dr P Shaw, Empath Managing Director attended the meeting to present paper C, a briefing on the development of Empath and the process for submission of the Full Business Case (FBC) for the Hub lease, managed equipment service, managed IT service and logistics service to the Trust Development Agency (TDA). Paper C1 provided a copy of the Outline Business Case (OBC) as presented to the TDA on 22 July 2014. The Committee received an overview of the key challenges and risks, particularly noting:-

(a) the continued focus on development of a single operating model;
(b) that the date for TDA consideration of the FBC had now slipped from November 2014 to December 2014;
(c) that a penalty clause relating to the remaining term of UHL's managed equipment service would be factored into the financial scenario modelling and that both host Trusts would be kept fully informed on the position; **DS**
(d) the verbal information provided in respect of additional third party contract developments and tender opportunities;
(e) risks surrounding the possibility of losing the rights to lease the Hub pending TDA approval;
(f) the challenges associated with maintaining performance and capacity with the existing staffing structures over the next 12-18 months prior to implementation of the single operating model;
(g) that the Empath 5 year business plan would be presented to the host Trust Boards in September 2014 for approval; **DS**
(h) receipt of new legal advice relating to the preferred governance model for Empath, which indicated that a separate governance entity might be established instead of the existing proposal for one of the host Trusts to assume the lead role.

Resolved – that (A) the Finance and Performance Committee endorsed the Empath OBC and the process for developing the FBC (as set out in papers C and C1) for Trust Board approval on 31 July 2014;

(B) the host Trusts (UHL and NUH) be kept fully informed of the position relating to an identified penalty clause within UHL's existing contract for managed equipment services, and **DS**

(C) a report on the Empath 5 Year Business Plan be presented to the UHL and NUH Boards in September 2014. **DS**

79/14/2 Managed Print Service

The Chief Information Officer attended the meeting to present paper D, providing the Committee with assurance on the next phase for the deployment of a managed print service on the Leicester Royal Infirmary Site. The paper was taken as read and the Chief Information Officer highlighted the successful implementation at Glenfield Hospital, noting the key lessons learned and some "softer" unseen benefits (eg scanning documents for

pharmacy) that had arisen from this project during the Glenfield Hospital implementation phase.

Following discussion at the Executive Performance Board on 29 July 2014, the Chief Executive briefed the Committee on the additional financial benefits which would be enhanced by increasing capital investment and reducing revenue expenditure. The Acting Director of Finance confirmed that the overall financial contribution of this project would be reviewed 6 months after implementation. Members queried whether there were any particular challenges associated with the LRI site and noted in response that estates issues (eg power sockets and network points) would be addressed in advance and that positive feedback from Glenfield Hospital staff would help to support any required changes in staff culture and working practices. **CIO/ ADF**

<u>Resolved</u> – that (A) the Finance and Performance Committee endorsed the Business Case for Managed Print Services at the LRI (as set out in paper D) for Trust Board approval on 31 July 2014, and

(B) a detailed 6 month post-implementation evaluation be undertaken to assess the financial and "softer" benefits of the project, and any opportunities to harness further changes in technology be highlighted within the Trust accordingly. **CIO/ ADF**

79/14/3 <u>Report by the Chief Executive</u>

<u>Resolved</u> – that this Minute be classed as confidential and taken in private accordingly, on the grounds of commercial interests and that public consideration at this stage could be prejudicial to the effective conduct of public affairs.

79/14/4 <u>Vascular Services Outline Business Case</u>

The Director of Strategy introduced paper F, seeking the Committee's endorsement of the Vascular Services OBC for Trust Board approval on 31 July 2014. The OBC incorporated the transfer of vascular and supporting services from the LRI to Glenfield Hospital, including an inpatient ward, surgical admissions area, vascular studies unit, angiography suites and a new hybrid theatre. She highlighted the additional clarity provided in terms of the clinical case for change and strategic imperatives since the OBC was reviewed by the Capital Investment and Monitoring Committee on 27 June 2014 and the Executive Team on 15 July 2014.

Members noted the importance of this cross-CMG scheme as an enabler for UHL's 5 year Integrated Business Plan and that the benefits of the transitional costs would extend beyond the sustainability of vascular, cardiac and cardiology services (due to the release of clinical and theatre space on the LRI site). Transitional funding had not yet been agreed for this scheme, but significant opportunities for this were being explored as part of the external work being undertaken by Ernst Young.

Focused work was taking place to address clinical coding issues, income generation and appropriate commissioning of the one stop clinics which alleviated the need for patients to attend 3 separate clinics. The capital outlay was currently included in the 2014-15 capital programme and additional financial benefits were expected to be delivered through increased operational efficiency and reduced cancellations.

The Committee Chairman sought robust assurance that the relocated service would be able to provide 7 days per week services and that there would be no negative impact upon patient mortality as a result of the relocation. In response, the Director of Strategy confirmed that 7 day working could be accommodated in the operational model and that clear arrangements had been made for vascular support at the LRI in the event of any urgent clinical need (eg major bleeding in ED or maternity services). She undertook to ensure that such assurance was included within the service model and the FBC on these **DS**

2 aspects.

Following a further detailed query on the percentage of ED and maternity patients requiring vascular expertise at the LRI, it was agreed that separate assurance on the arrangements for urgent vascular intervention on the LRI site (and any associated impact upon patient mortality) would be presented to the next available Executive Quality Board and the Quality Assurance Committee. **DS/ QAC CHAIR**

Resolved – that (A) the Finance and Performance Committee endorsed the Vascular OBC (as set out in paper F) for Trust Board approval on 31 July 2014, and

(B) assurance be provided to the next available Executive Quality Board and Quality Assurance Committee in respect of the arrangements for urgent vascular intervention on the LRI site (and any associated impact upon patient mortality). DS/ QAC CHAIR

79/14/5 Capital Funding for Re-provision of Clinical Space/Modular Wards

Paper G provided an update on the replacement support accommodation required at the LRI site and the new modular wards to support additional bed capacity, as part of the enabling works for the new emergency floor. The total value of the 2 schemes was noted to be £8.0m. The Committee received assurance that the 2 schemes represented good value for money and that the modular wards would act as an enabler to ring fence elective bed capacity.

The report recognised that whilst funding for these schemes had been allocated within the Trust's capital programme, this was currently overcommitted and external Public Dividend Capital (PDC) funding was now being sought from the TDA to support these 2 projects – as part of the wider application to be submitted to the TDA's Independent Trust Financing Facility (ITFF) by 22 August 2014.

Resolved – that the application for £8m Public Dividend Capital funding to support the re-provision of clinical space/modular wards (as set out in paper G) be endorsed for TB approval on 31 July 2014.

79/14/6 Terms of Reference for the Capital Monitoring and Investment Committee and the Revenue Investment Committee

Paper H provided the terms of reference for the Capital Monitoring and Investment Committee and the Revenue Investment Committee and set out the Trust's investments decision process for identified capital and revenue cost thresholds. The Committee Chairman received assurance that the Executive Director management resources for the respective Committees would provide appropriate added value.

The Director of Strategy suggested that the number of in-year business cases might reduce once the IBP process became embedded, although the Chief Executive advised that detailed business cases would still require approval even if they were reflected within the relevant annual capital programme.

Resolved – that the terms of reference for the Capital Monitoring and Investment and the Revenue Investment Committees (as set out in paper H) be approved.

79/14/7 Forward Schedule of Capital Schemes and Business Cases

The Acting Director of Finance introduced paper I, providing an update on the forward schedule of key capital schemes and business cases. This document had also been shared with the TDA to enable them to align their resources around the timetable for TDA approvals. In discussion on the report, members:-

(a) commented upon the key interdependencies between some of the schemes;
(b) queried the proposed funding source for the multi-storey car park at the LRI. The Committee recognised the need to accrue for such expenditure pending a due diligence process relating to appropriate use of NHS funding;
(c) queried the arrangements for co-locating children's cardiac services with other children's services, noting the requirements of the Safe and Sustainable Review of Paediatric Cardiac Services and opportunities to seek charitable funding in this area;
(d) requested further details of the planned £9m expenditure on the LGH site;
(e) queried the proposed funding source for the new LRI entrance, and
(f) noted the intention to brief staff on the draft schedule of capital schemes in the next edition of his "Blue Print" newsletter.

In light of the discussion above and the number of key issues raised, the Committee Chairman recommended that the proposed schedule of capital schemes and business cases be presented to the August 2014 Trust Board meeting. **ADF/TA**

Resolved – that the forward schedule of capital schemes and business cases (paper I) be presented to the 28 August 2014 Trust Board meeting. **ADF/TA**

80/14 PERFORMANCE

80/14/1 Month 3 Quality, Finance and Performance Report

Paper J provided an overview of UHL's quality, patient experience, operational targets, HR and financial performance against national, regional and local indicators for the month ending 30 June 2014 and a high level overview of the Divisional Heatmap report. The Chief Operating Officer reported on the following aspects of UHL's operational performance:-

(a) Emergency Care 4 hour waits – performance stood at 91.3% for June against the 95% target and a detailed report was scheduled on the 31 July 2014 Trust Board agenda;

(b) RTT 18 weeks – non-admitted compliance had been achieved 2 months ahead of plan, but admitted performance remained behind plan due to the ongoing work to reduce the backlogs. Appendix 3 to paper J provided a detailed report on the RTT improvement plan. It was particularly noted that the Ophthalmology service was forecast to achieve 90% in August and be compliant in November 2014;

(c) Cancer Targets – performance against a number of the targets had deteriorated and a detailed exception report was provided in appendix 4. Regular tumour site meetings were being held with each of the specialties and a weekly cancer predictive performance dashboard was now produced and circulated. Performance was not expected to be fully compliant until September 2014, but the position was being monitored closely. Discussion took place regarding the significant increase in symptomatic breast referrals and members noted that an activity query had been raised with Commissioners. The Committee requested that Mr M Metcalfe, Cancer Centre Lead Clinician be invited to attend the October 2014 Finance and Performance Committee meeting to brief the Committee on any lessons learned and opportunities to highlight any deteriorations earlier in the process; **COO/ TA**

(d) Cancelled Operations – an exception report was included at appendix 5. Due to 1 patient breach, the target to offer all patients another date within 28 days had been non-compliant. This position was expected to recover for July 2014;

(e) Ambulance Handover Times – this data had been included in the quality and performance report for the first time this month. Members considered the impact on patient experience and the scale of financial penalties. The Chief Operating Officer briefed the Committee on the actions underway to improve the factual accuracy of data, noting the joint workstreams being undertaken with EMAS and the CCGs to

address this and the relevance of the work being undertaken by Dr I Sturgess. Colonel (Retired) I Crowe, Non-Executive Director queried whether there were any standard operating procedures for ambulance handovers, noting in response that such procedures were in place but adherence to them became more challenging during times of high ED attendances;

(f) Patient Safety – responding to a query raised by Colonel (Retired) I Crowe, Non-Executive Director, the Chief Operating Officer confirmed that CMG compliance with the Central Alerting System (CAS) alerts was regularly reviewed via the CMG performance management meetings, and

(g) Delayed Transfers of Care (DTOC) – the Committee Chairman noted that DTOC trends appeared to have stagnated during the last 3 years and he queried how further progress might be made. In response, the Chief Executive noted the importance of this workstream as one of the key urgent care system outputs, where it was intended to focus on a smaller number of priorities and KPIs (including DTOCs).

Resolved – that (A) the month 3 Quality, Finance and Performance report (paper J) and the subsequent discussion be received and noted, and

(B) Mr M Metcalfe, Cancer Centre Lead Clinician to be invited to attend the October 2014 Finance and Performance Committee meeting to present an update on cancer performance lessons learned and opportunities to highlight any deteriorations in performance earlier in the process. **COO/ TA**

80/14/2 Clinical Letter Update

Further to Minute 68/14/3 of 25 June 2014, the Chief Operating Officer presented paper K, updating the Committee on progress with reducing the backlog of outpatient clinical letters which was also presented to the Executive Team on 8 July 2014. Appendix 1 summarised the key issues contributing to the failure to achieve the 10 day standard and appendix 2 provided a service level backlog report. Members noted the historical approach to addressing clinical letters within the CMGs and that a task and finish group had now been established to undertake an options appraisal on the IT systems used for such letter generation.

The Committee Chairman queried the scope for a more radical solution to address clinical letters performance (eg outsourcing), and received additional information on the wide range of 'other duties' undertaken by UHL's medical secretaries, who were also supporting the validation work in respect of follow-up appointments and RTT pathways. Some clinicians had queried whether Dictate IT was the right software for UHL to be using, and the system had recently suffered some down time. Members noted that lack of IT support for Dictate IT and wide spread system variation were 2 of the key issues to be resolved.

Colonel (Retired) I Crowe, Non-Executive Director commented upon the high quality of service provided by the Glenfield Hospital booking centre, and queried the scope to increase the volume of UHL's outpatient bookings handled in this way, noting the potential benefit of reducing patient complaints relating to call handling. The Patient Adviser commented upon the reputational risks associated with poor handling of outpatient bookings. The Chief Operating Officer confirmed that ways of centralising the booking process for outpatient appointments were being explored as part of the outpatients cross-cutting CIP scheme.

Resolved – that (A) the progress report on reducing the backlog of clinical letters be received and noted, and

(B) a further progress report on Clinical Letters performance be provided to the **COO**

August 2014 Finance and Performance Committee (including outputs from the task and finish groups if available).

81/14 FINANCE

81/14/1 2014-15 Cost Improvement Programme

Further to Minute 69/14/1 of 25 June 2014, the Chief Operating Officer introduced paper L, updating the Committee in respect of progress towards the 2014-15 CIP target of £45m, noting that the total value of schemes on the CIP tracker now stood at £45.45m and the risk adjusted value stood at £38.295m. Ms E MacLellan-Smith, Ernst Young and Ms C Kerry, Administration Services Manager attended the meeting for this item.

The Acting Director of Finance reported verbally on Corporate Directorate and CMG-level progress towards the 1% in year target and 2% recurrent target for workforce related savings, noting that 179 post reductions had been identified to date. The outputs of the 1% workforce reductions had not yet been included in the CIP tracker. However, it was noted that a discussion on the next steps and additional resources investment required to deliver the Trust's key objectives would take place later in the agenda (paper R and Minute 81/14/6 below refer).

Finance and Performance Committee members noted the need for continued focus on converting the red and amber rated CIP schemes to green, strengthening the arrangements for delivery of the cross-cutting themes and ongoing short term cost controls. A degree of autonomy was beginning to emerge amongst the CMGs, with the high performing CMGs being reviewed on a monthly basis and others being reviewed on a fortnightly schedule (or weekly from mid-August 2014). The following comments and queries were raised in respect of paper L:-

(a) Colonel (Retired) I Crowe, Non-Executive Director congratulated the team for closing the gap between the CIP target and the tracker, but he noted the risks surrounding £2m which were not yet reflected in Commissioner plans. In response, it was noted that further pipeline schemes were being developed to mitigate any slippage;
(b) the Committee Chairman queried whether the cross-cutting CIP schemes were adequately resourced, noting in response the Chief Operating Officer' view that they were not and that further discussion would take place later in the agenda on this aspect (Minute 81/14/6 below refers);
(c) a clarification that the term SAS doctors (as referred to within the Medical Productivity scheme) related to Staff Grades and Associate Specialists;
(d) the Chief Executive advised of his clear expectation that the WTE impact of all CIP schemes would be clearly set out within the CIP report for the August 2014 Finance and Performance Committee meeting (as previously requested); **COO**
(e) noting that a CIP master class had recently been held by the CSI CMG and that plans to roll out such classes were being developed for other CMGs, the Committee Chairman requested that he be invited to attend the next session, and
(f) the Committee Chairman thanked Ms MacLellan-Smith and Ms C Kerry for attending the meeting and paid tribute to the work of Ms C Kerry in supporting the Trust's CIP workstreams going forward. **COO**

Resolved – that (A) the 2014-15 CIP update be received and noted;

(B) the Chief Operating Officer be requested to ensure that the WTE impact of all CIP schemes was clearly set out within the August 2014 iteration of the CIP report, and **COO**

(C) arrangements be made to invite the Committee Chairman to attend the next CMG CIP Master Class (when scheduled). **COO**

81/14/2 2014-15 Financial Position to Month 3

Papers M and M1 provided an update on UHL's performance against the key financial duties surrounding delivery of a planned surplus, achievement of the External Financing Limit (EFL) and achievement of the Capital Resource Limit (CRL), as submitted to the 31 July Trust Board and the 29 July Executive Performance Board (respectively). The Acting Director of Finance summarised the key points arising from paper M1, noting a year to date adverse variance to plan of £0.6m, a forecast shortfall of £1.4m in CIP delivery, an improved position in respect of premium pay (which was at its lowest level since January 2013) and opportunities for reinvestment of RTT and ambulance turnaround penalties.

Discussion took place regarding 17 detailed activity queries between UHL and Commissioners. These were being processed appropriately but a wider focus was being developed in respect of the levels of admissions, readmissions, GP referrals, SLA cash flow and arrangements for withholding payments. It was agreed that an update on the contractual position would be provided to the August 2014 Finance and Performance Committee to inform a discussion on the cash implications and escalation procedure. In the meantime, the Chief Executive undertook to commence a dialogue with Mr T Sanders, Managing Director, West Leicestershire CCG on the contractual position and arrangements for withholding SLA payments.

Resolved – that (A) the briefings on UHL's Month 3 financial performance be received and noted as paper M and M1,

(B) an update on activity queries and the contractual position with Commissioners be provided to the August 2014 Finance and Performance Committee meeting, and **ADF**

(C) the Chief Executive be requested to commence a dialogue with Mr T Sanders, Managing Director, WLCCG on the contractual position and the arrangements for withholding payments. **CE**

81/14/3 2014-15 Operational Resilience Funding

The Acting Director of Finance presented paper O, briefing the Committee on the arrangements for additional funding for urgent and emergency care which was due to be allocated to the CCGs on a fair share basis by NHS England. Additional funding was also being made available to support the delivery of elective care and backlog reduction. The published framework guidance was appended to the report for information (Publication Gateway Reference 01632).

Particular discussion took place regarding the RTT elements of the funding (including the level of RTT activity which was delivered elsewhere in the local health economy), UHL's allocation of winter funding and re-investment in UHL's services arising from MRET and re-admissions penalties. It was agreed that an update on these issues would be incorporated into the Month 4 financial performance report for consideration at the 27 August 2014 Finance and Performance Committee meeting. **ADF**

Resolved – that (A) the briefing on 2014-15 Operational Resilience Funding be received and noted (as paper O), and

(B) a position statement on operational resilience funding be incorporated into the Month 4 financial performance report for the 27 August 2014 Finance and Performance Committee meeting. **ADF**

81/14/4 Patient Level Information and Costing System (PLICS), Service Line Reporting (SLR) and Reference Costs

The Acting Director of Finance introduced paper P providing an update on the continued development of PLICS and SLR and detailing the 2013-14 Reference Costing Submission. A copy of the reference costing self assessment checklist was provided at appendix 2. Noting that all the appropriate guidance had been followed, the Finance and Performance Committee endorsed the reference costing return for submission by the 31 July 2014 deadline.

Resolved – that the UHL Reference Costing Return be endorsed for submission by the 31 July 2014 deadline. **ADF**

81/14/5 Financial Management of Overseas Visitors and Private Patients

The Financial Controller introduced paper Q, outlining a number of actions required to strengthen the financial management of overseas visitors and private patients. The report was taken as read and discussion took place regarding the reasons why these 2 distinctly separate sections of the Trust's business were bundled together (apart from the fact that the teams were co-located and co-managed).

Following a Listening into Action event held on 9 July 2014 a number of key themes had been identified to improve the arrangements for treatment of overseas visitors in line with changes in the national process. The Acting Director of Finance noted the additional resources required to deliver and embed new overseas visitor processes and that the proposals were expected to be self-financing through increased income recovery (Minute 81/14/6 below refers). Subject to approval of the additional resources, the new process was expected to take effect from January 2014.

Colonel (Retired) I Crowe, Non-Executive Director queried whether the target 25% collection rate for overseas visitor debts was sufficiently ambitious and commented that the Trust should not be losing any money on private patients. Members noted that private patients would be clearly defined as either medical insurance patients or self-financing patients within the Private Patient Strategy and that debt recovery for self-funding patients might be challenging for a variety of reasons (including patient mortality).

Resolved – that the update on arrangements for improving the financial management for overseas visitors and private patients be received and noted.

81/14/6 Investment in Management Resources to Support the Delivery of UHL's Key Objectives

The Acting Director of Finance introduced paper R highlighting the investment required to support delivery of UHL's key objectives, noting that the report had been supported at the previous day's Executive Performance Board meeting. In discussion on this report:-

(a) the Committee Chairman commented upon an apparent disconnect between the cost centre for hosting the additional resources and the cost centre that would benefit from the CIP savings;
(b) the Chief Executive noted the significance of the proposed investment in non-patient facing roles but added some contextual information regarding the areas where UHL was currently under-resourced. He queried whether there was any scope to develop more moderate proposals, and
(c) Colonel (Retired) I Crowe, Non-Executive Director queried whether it would be feasible to adopt an incremental approach with an initial focus on clinical coding staff and the Ernst Young contract extension.

The Committee supported the direction of travel for investing in management resources, on the basis that such resources would be part funded by some transitional support and mitigated by an element of additional winter funding. It was agreed that a further detailed update would be provided to the 27 August 2014 Finance and Performance Committee meeting for approval.

Resolved – that a further detailed update on the additional management resources required to deliver the Trust's key objectives be presented to the 27 August 2014 Finance and Performance Committee meeting. **ADF**

81/14/7 Update on Financial Forecasting and 2013-14 Lessons Learnt

Further to Minute 57/14/3 of 28 May 2014, the Acting Director of Finance introduced paper S which provided an updated action plan for improving the robustness of financial monitoring and forecasting. Members noted the significant contribution by Ms L Bentley, Head of Financial Management and Planning in helping the Trust to strengthen its understanding of the risks and opportunities underlying the forecasting process.

Members commended the work undertaken, noting the resource implications that might be involved in carrying out the proposed changes. It was agreed that a further update would be presented to the Finance and Performance Committee in 6 months' time.

Resolved – that an updated action plan for improving the robustness of financial monitoring and forecasting be presented to the Finance and Performance Committee in January 2015. **ADF**

82/14 SCRUTINY AND INFORMATION

82/14/1 Clinical Management Group (CMG) Performance Management Meetings

Resolved – that the action notes arising from the June 2014 CMG Performance Management meetings (paper T) be received and noted.

82/14/2 Executive Performance Board

Resolved – that the notes of the 24 June 2014 Executive Performance Board meeting (paper U) be received and noted.

82/14/3 Quality Assurance Committee (QAC)

Resolved – that the 25 June 2014 QAC Minutes (paper V) be received and noted.

83/14 ITEMS FOR DISCUSSION AT THE NEXT FINANCE AND PERFORMANCE COMMITTEE

Paper W provided a draft agenda for the 27 August 2014 meeting and it was agreed that the agenda would be revised and re-circulated.

Resolved – that the items for consideration at the Finance and Performance Committee meeting on 27 August 2014 be revised and re-circulated.

84/14 ANY OTHER BUSINESS

Resolved – that there were no items of any other business raised.

85/14 ITEMS TO BE HIGHLIGHTED TO THE TRUST BOARD

Resolved – that the following issues be highlighted verbally to the Trust Board meeting on 31 July 2014:-

- Minute 75/14 – recommendation re: 2014-15 Working Capital Strategy (to be appended to the Minutes for Trust Board approval);
- Discussion under confidential Minute 78/14/3
- Minute 79/14/1 – Empath vision for a Joint Pathology Service between UHL and NUH

- Minute 79/14/4 – Vascular Service OBC
- Minute 80/14/1 – Month 3 cancer performance;

86/14 DATE OF NEXT MEETING

Resolved – that the next Finance and Performance Committee be held on Wednesday 27 August 2014 from 8.30am – 11.30am in Seminar Rooms A and B in the Clinical Education Centre at Leicester General Hospital.

The meeting closed at 11:23am

Kate Rayns, Trust Administrator

Attendance Record 2014-15

Name	Possible	Actual	% attendance	Name	Possible	Actual	% attendance
R Kilner (Chair)	4	4	100%	P Hollinshead	3	3	100%
J Adler	4	4	100%	S Sheppard	1	1	100%
I Crowe	4	3	75%	G Smith *	4	4	100%
R Mitchell	4	4	100%	J Wilson	4	3	75%

* non-voting members

To:	**Finance and Performance Committee**
From:	**Simon Sheppard – Acting Director of Finance and Procurement**
Date:	**30th July 2014**
CQC regulation:	**All applicable**

Title:	**2014/15 Working Capital Strategy**

Author/Responsible Director:
Peter Hollinshead – Interim Director of Financial Strategy

Purpose of the report:
To set out the Trust's strategy for managing its working capital in a way that ensures it remains a 'going concern' and has access to sufficient cash and other liquid assets to meet its financial obligations

The report is provided to the Finance and Performance Committee for:

Decision	√	Discussion	√
Assurance	√	Endorsement	√

Summary/Key points:
This Strategy covers the following areas:

- Roles and responsibilities in relation to the Strategy, including the Trust Board, Finance and Performance Committee, Audit Committee, Financial Controller and Financial Services Team
- Background to the Trust's cash restrictions in 2013/14 and the impact of this on the BPPC and supplier payments
- Key objectives of the Strategy:
    1. To maintain the cash balance as planned during the year including drawing down temporary and permanent borrowing and managing our other working capital balances
    2. To improve the BPPC performance and achieve nationally recognised targets
    3. To achieve the statutory EFL and CRL targets
    4. To further develop monitoring and reporting processes to ensure that there are robust linkages between cash balances; revenue income and expenditure; and capital spend
- Forecasting, monitoring and reporting arrangements for cash, including the annual, monthly and weekly cash forecasting methods
- Investing surplus cash in either the GBS account or with the National Loans Fund and the likely benefit of investing

Recommendations:
That the Finance and Performance Committee recommend that the 2014/15 Working Capital Strategy be endorsed and recommended to the Trust Board for formal approval

Previously considered at another Corporate UHL Committee?
No

Board Assurance Framework: G. – To be a sustainable, high performing NHS FT	**Performance KPIs year to date:** -

Resource implications (e.g. Financial, HR): No resource implications identified
Assurance implications: None identified
Patient and Public Involvement (PPI) implications: Considered but not relevant to this paper
Stakeholder Engagement implications: Considered but not relevant to this paper
Equality impact: Considered but not relevant to this paper
Information exempt from disclosure: None
Requirement for further review? Annual review and quarterly update required

Peter Hollinshead
Interim Director of Financial Strategy

25th June 2014

University Hospitals of Leicester NHS
NHS Trust

WORKING CAPITAL STRATEGY 2014-15

1 Introduction

1.1 This document sets out the Trust's strategy for managing its working capital in a way that ensures it remains a 'going concern' and has access to sufficient cash and other liquid assets to meet its financial obligations.

2 Aims

2.1 The aims and objectives of the Working Capital Strategy ('the Strategy') are:

- To support the delivery of the Trust's objectives by ensuring short and long term liquidity.
- To ensure that working capital is effectively managed and cash is reported appropriately.

3 Scope of the Strategy

3.1 This Strategy covers the following areas:

- Roles and responsibilities in relation to the Strategy.
- Key objectives of the Strategy.
- Forecasting, monitoring and reporting arrangements for cash.
- Investing surplus cash.

3.2 The following individuals are required to support the Strategy:

a) Director of Finance and Procurement.
b) Directorate Senior Operational Management Team.
c) Financial Controller.
d) Finance staff.

3.3 The following are not within the scope of this Strategy:

- Long term investments.
- The management of patient monies.
- Petty cash procedures.
- Charitable funds banking and working capital arrangements.

3.4 The Strategy is supported by a number of detailed treasury procedures within the Treasury Management section, including:

- Cashflow procedures.
- Citibank and RBS banking procedures.
- Investing procedures.

4 Roles and Responsibilities

4.1 The following groups and individuals have responsibilities in relation to the Strategy:

Trust Board of Directors

4.2 The Trust's Board of Directors are responsible for approving external funding arrangements and the overall Strategy. The Trust Board delegates responsibility for approval of the Trust's treasury procedures, controls, and detailed policies to the audit committee,

Finance and Performance Committee

4.3 Monitor's guidance recommends the setting up of a Cash Committee to report to the Board. Given the status of the Trust and scope of its current treasury function this role is delegated to the Finance and Performance Committee.

4.4 The Finance & Performance Committee is responsible for reviewing cash management decisions and receiving reports on the cash position.

Audit Committee

4.5 The responsibilities of the Audit Committee in relation to treasury management is to monitor compliance with treasury policies and procedures.

Director of Finance and Procurement.

4.6 The Director of Finance and Procurement has the following responsibilities:

- Approving cash management systems.
- Ensuring approved bank mandates are in place for all accounts and that they are updated regularly for any changes in signatories and authority levels.
- Holding regular meetings with the Senior Finance Team and Financial Controller to discuss issues and consider any points that should be brought to the attention of the Audit Committee and Finance & Performance Committee.

Financial Controller / Financial Services Team

4.7 The Financial Controller and the Financial Services team have the following responsibilities.

- Defining the Trust's Treasury approach.
- Reporting on the Treasury activities on an accurate and timely basis.
- Managing key banking relationships.
- Managing treasury activities within agreed policies and procedures.
- Maintaining accurate and timely accounting records of treasury activities.
- Ensuring all applications for temporary and permanent financing are submitted accurately and on time and are fully supported by the required cashflow forecasting.
- Ensuring sufficient cash is available at all times to meet operational requirements.
- Producing detailed cashflow forecasts on a daily, weekly, monthly and annual basis to aid operational decision making.

4.8 The Trust's Treasury procedures will become subject to periodic review by both the internal and external auditors as part of their audit undertakings and any significant deviations from agreed policies and procedures will be reported, where appropriate, to the Audit Committee or Trust Board.

5 2014-15 Working Capital Strategy

5.1 This section sets out a series of actions aimed at improving working capital management over the forthcoming financial year.

Background

5.2 The Trust experienced significant cash restrictions in 2013-14 leading to poor performance against the Better Payment Practice Code (BPPC) and overdue payments to suppliers. The Trust considered options for applying for either temporary borrowing or longer term financing in the form of 'distress' PDC.

5.3 The Trust was not in a position to apply for longer term financing given the timescales and lack of certainty concerning its granting. Equally, temporary borrowing would have been repayable by the 31st March 2014 and this would not have solved the year end liquidity problem.

5.4 The Board approved a number of measures for the management of cash balances to the year-end, including: the limiting of payment runs; earlier in-month receipts of SLA cash; re-profiling of non-essential capital expenditure; improved accounts receivable performance; and other working capital adjustments. These measures provided sufficient flexibility to cover payments in the latter part of 2013-2014 without prejudicing the Trust's liquidity.

5.5 The measures taken to preserve the cash position had consequences for the Trust's supplier payments. The final BPPC position for 2013-14 is set out in Table 1 below and shows that the Trust failed to achieve the BPPC target of 95% of invoices paid within 30 days for NHS and Non-NHS payments.

Table 1: BPPC performance 2013-14

	NHS			Non-NHS			Total		
	Paid within 30 days	Total Paid	%	Paid within 30 days	Total Paid	%	Paid within 30 days	Total Paid	%
Value £	133,356	163,108	**81.76%**	271,621	396,204	**68.56%**	404,977	559,312	**72.41%**
Volume	2,549	4,654	**54.77%**	59,150	128,364	**46.08%**	61,699	133,018	**46.38%**

5.6 The BPPC underperformance has continued into the early part of 2014-15 due to the fact that there was a large backlog of overdue invoices carried forward over the year end. As these invoices are paid in 2014-15 they will breach the 30 day BPPC target.

5.7 The year-end balance sheet position for current assets is set out below:

Table 2: Statement of financial position as at 31/03/2014

	31 March 2014	31 March 2013	Movement
	£000s	£000s	£000s
Current assets:			
Inventories	13,937	13,064	873
Trade and other receivables	49,892	45,649	4,243
Other current assets	0	40	(40)
Cash and cash equivalents	515	19,986	(19,471)
Total current assets	**64,344**	**78,739**	**(14,395)**
Current liabilities			
Trade and other payables	(109,135)	(76,594)	(32,541)
Provisions	(1,585)	(1,906)	321
Borrowings	(6,590)	(2,727)	(3,863)
Total current liabilities	**(117,310)**	**(81,227)**	**(36,083)**
Net current liabilities	**(52,966)**	**(2,488)**	**(50,478)**

5.8 Cash decreased over the year by £19m (97%) against a backdrop of a considerable increase in expenditure

5.9 The NHS Trust Development Authority (NTDA) reset our External Financing Limit (EFL) from (£1.4m) to £20.7m. This enabled us to reduce our year-end cash balance to £0.5m and minimise the level of backlog invoices whilst still achieving the EFL, which is a mandatory target for the Trust.

5.10 There was a net rise in creditors of £32.5m during the year reflecting the cashflow restrictions and BPPC performance as well as considerable expenditure on capital at the year-end which increased capital creditors by £7.5m; and an increase in deferred income of £5.5m due to the changes to the funding of the maternity pathway.

5.11 The overall ratio of current assets to current liabilities worsened from 97% to 55% during the year. The Trust has been shadow monitoring the FT risk rating and achieved the following performance at the 2013-14 year-end:

Table 3: Shadow Monitor Risk Rating as at 31/03/2014

Financial Criteria	Metric	Rating	Score
Achievement of Plan	EBITDA Achieved (% of plan)	3.3	1
Underlying Performance	EBITDA Margin %	0.2	1
Financial Efficiency	I&E Surplus Margin	(5.1)	1
Liquidity	Liquidity Ratio (Days cover)	(31)	1
Weighted Average			**1**

5.12 The forecast position at the end of 2014-15 indicates no change to the overall risk rating

Key objectives for 2014-15

5.13 The Trust has set four clear objectives relating to cashflow for 2014-15:

1. To maintain the cash balance as planned during the year including drawing down temporary and permanent borrowing and managing our other working capital balances.
2. To improve the BPPC performance and achieve nationally recognised targets
3. To achieve the statutory EFL and CRL targets
4. To further develop monitoring and reporting processes to ensure that there are robust linkages between cash balances; revenue income and expenditure; and capital spend.

Objective 1: Cash balances and external financing

5.14 The Trust plans to slightly reduce cash to £277k at the end of 2014-15. This is line with the Department of Health expectation that we should be working to a minimum level of cash of less than £500k.

Table 6: Cash plan

Balance sheet as at 2014-15 plan	Opening Balance 01/04/14 £000s	Closing Balance 31/03/15 £000s	Movement £000s
Cash and Cash Equivalents	515	277	(237)

5.15 The Trust's cash monitoring for 2014-15 is clearly linked to the Trust's forecast I&E position and capital expenditure. The Trust submitted a two year plan to the NTDA which indicated a deficit of £40.7m for 2014-15 and planned CRL capital expenditure of £50.5m, of which £17.5m will need to be funded from external sources.

5.16 The statement of cashflows in table 7 below shows that the Trust needs to secure a total of £71m PDC financing to fund the following:

- capital programme £17.5m;
- deficit plan £40.7m; and
- brought forward unpaid creditor invoices £12.7m.

Table 7: Statement of cashflows for 2014-15 full year

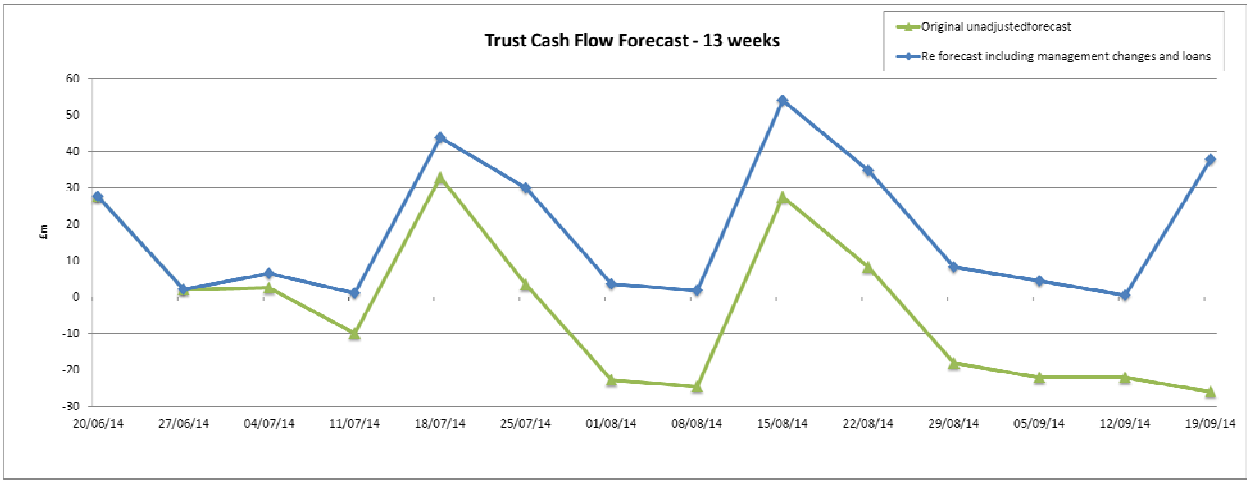
Statement of Cash Flows (CF)	2014/15 £000s
Cash flows from operating activities	
Operating Surplus/(Deficit)	(28,769)
Depreciation and Amortisation	32,996
Impairments and Reversals	(1,448)
Interest Paid	(456)
Dividend (Paid)/Refunded	(12,236)
(Increase)/Decrease in Trade and Other Receivables	(5,827)
(Increase)/Decrease in Other Current Assets	14,400
Increase/(Decrease) in Trade and Other Payables	(15,414)
Provisions Utilised	(1,267)
Increase/(Decrease) in Movement in non -cash Provisions	10,632
Net Cash Inflow/(Outflow) from Operating Activities	**(7,386)**
Cash flows from investing activities	
Interest Received	96
(Payments) for Property, Plant and Equipment	(54,790)
Net Cash Inflow/(Outflow) from Investing Activities	**(54,694)**
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	**(62,080)**
Cash flows from financing activities	
New Public Dividend Capital received in year: PDC Capital	17,534
New Public Dividend Capital received in year: PDC Revenue	53,443
Capital element of payments relating to PFI, LIFT Schemes and finance leases	(9,132)
Net Cash Inflow/(Outflow) from Financing Activities	**61,845**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(238)**
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period	**515**
Cash and Cash Equivalents (and Bank Overdraft) at the end of the period	**277**

5.17 The Trust has held discussions, and is in regular contact, with the NTDA in relation to the timing and type of financial support that is required in 2014-15. Ultimately we will be applying for permanent PDC financing for the full £71m requirement later in the year following submission of our Integrated Business Plan (IBP) and Long Term Financial Model (LTFM). We are likely to be applying for PDC in two phases, the first of which would be used to fund the enabling works for the emergency floor scheme.

5.18 In the meantime the Trust will be applying for several Temporary Borrowing Loans (TBLs) in order to maintain liquidity up to the receipt of the PDC financing. The phasing of the TBL receipts has been built into our cashflow forecasting. Normally the TBLs would be repayable within three months of receipt but based on discussions with the NTDA we are not expecting that our TBLs will be repayable until we receive the PDC financing.

5.19 The chart overleaf shows the 13 week cash forecast position. The two lines on the graph represent the cash position both with and without the TBLs and clearly show that without these we would be considerably short of cash and would need to take other measures to maintain liquidity, including withholding supplier payments.

Chart 1: 13 week cashflow forecast as at 31/05/2014



5.20 This monitoring illustrates the requirement that the detailed cashflow forecasts that support each TBL application must demonstrate that we need the funding and that without it we would be overdrawn.

5.21 We will also need to manage accounts payable and receivable in order to maintain satisfactory liquidity. The following table shows the ageing of NHS and Non-NHS receivables and payables as at the end of May 2014.

Table 5: Aged payables and receivables as at 31/05/2014

Aged Receivables/Payables:	Total As at end May 2014 £000s	0-30 days		30 - 60 Days		60-90 Days		Over 90 Days	
		£000s	%	£000s	%	£000s	%	£000s	%
Receivables Non NHS	**7,219**	2,864	40%	1,195	17%	1,491	21%	1,669	23%
Receivables NHS	**16,150**	991	6%	8,744	54%	3,271	20%	3,144	19%
Payables Non NHS	**(8,958)**	(3,510)	39%	(2,963)	33%	(2,327)	26%	(158)	2%
Payables NHS	**(2,042)**	(73)	4%	(958)	47%	(15)	1%	(996)	49%

5.22 The NTDA target is for us to have less than 5% of aged payables or receivables over 90 days. Aged debtors include several legacy debts which will be paid soon. We plan to significantly reduce the profile of the aged debt and direct effort on those debts that are in the 30-60 days aged category before they become problematic.

5.23 We will establish monitoring arrangements within finance to determine the level of accruals at the month end which should have been invoiced. It is important for 2014-15 that we are invoicing as promptly as possible in order to collect the cash as soon as possible.

5.24 Aged NHS payables relate to a very low number of invoices and the over 90 days total is expected to reduce whilst effort will be directed to those invoices in the 30-60 days aged category. The Trust pays on average £7m of creditors each week. Payment runs are constructed to ensure maximum compliance with the BPPC target with priority being given to trade creditors.

5.25 The strategy for 2014-15 will ensure that onus is placed on paying all approved invoices, including significant NHS creditors such as the NHS Blood & Transplant authority, Supply Chain and NHSLA; and non-NHS creditors such as Interserve, IBM and Asteral. We continue to prioritise payments to small, local suppliers.

5.26 Sufficient external financing has been factored into the 2014-15 plan to ensure creditor payments can be maintained. Creditor payment runs will only be limited in value if there is an adverse revenue position against plan and we are not subsequently able to secure additional external financing.

Objective 2: BPPC performance

5.27 The Trust will improve its performance against the Better Payment Practice Code (BPPC) in 2014-15 as a result of the financing outlined in the previous section. The financing solutions will give us sufficient cash to ensure all invoices can be paid within the 30 day payment terms within 2014-15.

Stock

5.28 The Trust is rolling out an electronic stock system during 2014-15 with a view to improving stock control and generating both a better understanding of the I&E impact month on month and in targeting areas where overall stock levels can be improved. We will factor in any impact on cash as this becomes known.

Objective 3: EFL and CRL targets

5.29 The Trust's initial capital allocations are shown in the following table.

Table 4: Initial cash limits 2014-15

Capital Resource Limits (CRL) and External Financing Limits (EFL)	Initial Limits	
	CRL £000s	EFL £000s
Initial Capital Allocations	32,995	(8,897)

5.30 The EFL is primarily a full year limit so performance against this can fluctuate during the year. The CRL is more of a cumulative target that we can measure our trajectory against. We will monitor both limits on a regular basis and report to the Finance and Performance Committee where any potential adverse variance is identified.

Objective 4: Cash monitoring and reporting

5.31 The Trust's cashflow monitoring has been improved over the last 18 months and roles and responsibilities are currently being reviewed within financial services to allow for further improvement to the analysis, monitoring and reporting of cash throughout the year. The Financial Controller and Treasury management team will produce the following reports and forecasts throughout the year.

Annually

5.32 The following will be prepared on an annual basis

- Treasury Management Strategy.
- Annual cash plan - based on the Trust's I&E forecast and capital plan.
- Annual 12 month cashflow forecast.
- Annual Accounts including statement of cashflows.

Monthly

5.33 A monthly report will be produced for the Finance and Performance Committee to include:

- Cash balances on all accounts.
- Actual cash balances against plan for the month and a comparison with the previous month with any material variances explained.
- Interest receivable and payable.
- 13 week forecast cash position including management actions necessary to correct any adverse variance.
- Aged debtors and creditors including an analysis of accrued income and expenditure and impact on cash.
- Details of all new borrowing.
- Annual forecast cash outturn.

5.34 Monthly bank account reconciliations will also continue to be undertaken which reconcile the ledger to the cashbook and bank statements. These are subject to both internal and external audit.

Weekly

5.35 A 13 week cash forecast will be prepared on a weekly basis (reported monthly), based on detailed information from the ledger system on accounts payable and receivable. This will be used to update the daily cashflow forecast.

Daily

5.36 We will continue to produce a rolling cashflow forecast which is updated on a daily basis and projects forward 12 months. This will initially be based on the cashflow plan and will be consistent with the 13 week cashflow forecast. It will be updated for any known changes in the Trust's I&E and capital positions and any anticipated changes to the value of accounts payable and receivable.

5.37 Appropriate escalation plans are in place should any of the cash forecasting indicate problems, such as anticipated cash falling below zero at any stage in the following 12 months.

6 Investing surplus cash

6.1 It is the Trust's policy to invest surplus cash in order to gain additional interest. The Trust operates one commercial bank account with the Royal Bank of Scotland (RBS). We restrict the balance on this to £50,000 to ensure that most of the NHS Trust's cash holdings are kept within the Government sector via a Citibank account within the Government Banking Service (GBS).

6.2 The cashflow will highlight any surplus cash available for investment. As an NHS Trust we are only currently able to invest in the following secure funds:

- Government Banking Service (GBS).
- National Loans Fund – Temporary Deposit Facility (NLF).

6.6 The National Loans Fund Temporary Deposit Facility is operated by HM Treasury Exchequer Funds and Accounts (EFA) Team. The scheme allows approved depositors to deposit sums in round thousands of pounds for periods of one week to six months at current market interest rates. The minimum investment is £1 million.

6.7 Maturity dates for all investments will be set before or as close to the date when invested funds will be required and we will ensure that there is no risk to the Trust's liquidity.

6.8 The most likely period for surplus cash to be available is between the 15th of each month following receipt of the main SLA funding, and the last Thursday of each month which is the Trust's payroll date. We need to retain at least £23m between these dates to cover payments to staff.

6.9 We currently receive around £8k per month in interest from the GBS account. As at the end of May the interest rate on the GBS account was 0.25% and the Bank of England base rate was 0.5%

6.10 Using June as an example if we were to invest £23m for 10 days between the 16th and 25th June (the day before the payroll date) we could increase the monthly interest received by a further £2k. As interest rates rise and we undertake more regular investing activity this interest would increase further.

6.11 All investments will be reported to the Finance and Procurement Committee on a monthly basis.