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UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

**DATE OF TRUST BOARD MEETING:** 5 October 2017

**COMMITTEE:** Finance and Investment Committee (FIC)

**CHAIR:** Mr M Traynor, Non-Executive Director

**DATE OF MEETING:** 28 September 2017

This summary is provided for the Trust Board's information in the absence of the formal Minutes, which will be submitted to the Trust Board on 2 November 2017.

**SPECIFIC RECOMMENDATIONS FOR THE PUBLIC TRUST BOARD:**

- **Membership, Terms of Reference and Draft Work Plan** – these were supported for adoption as set out in paper C (appended to this meeting summary). The Committee Chair highlighted the intention for some FIC meetings to commence at the earlier time of 8.30am to allow for due consideration of substantive investment business cases. It was clarified that the Finance and Investment Committee would retain responsibility for monitoring the Cost Improvement Programme, although it may be that the People, Process and Performance Committee would also review the cross-cutting CIP themes and/or the CIP project management office resources.

**SPECIFIC DECISIONS FOR THE PUBLIC TRUST BOARD:**

- **None**

**OTHER ITEMS DISCUSSED AT THE MEETING, LISTED BELOW FOR THE INFORMATION OF THE PUBLIC TRUST BOARD:**

- **Matters Arising**
  - Lean Expertise (item 8 of paper B) – the Director of Efficiency and CIP was requested to review the Lean capabilities at UHL and provide a position statement to the People, Process and Performance Committee on 26 October 2017;
  - 5 Year Financial Strategy (item 10 of paper B) – the Chief Financial Officer advised that the draft 5 Year Financial Strategy was currently being redrafted to reflect the extended timeframes beyond the STP, and the revised document would now be presented to the 2 November 2017 Trust Board meeting;
  - Electronic Rostering (item 24 of paper B) – FIC received a briefing on the options appraisal and contract award process for electronic rostering systems. Proposals were expected to be presented to the Executive Performance Board and FIC on 24 and 26 October 2017 (respectively);
  - Lean Techniques (item 26 of paper B) – the Trust Chairman confirmed that a Trust Board Thinking Day discussion on Lean Techniques was being scheduled accordingly and the Director of Efficiency and CIP confirmed that this aspect would be built into the Trust's Efficiency Strategy going forwards;
- **2017-18 Month 5 Financial Performance** – advising of a year to date deficit of £23.0m (in line with plan) and forecast delivery of the planned year-end deficit of £26.7m following completion of the mitigating recovery actions. The Chief Financial Officer highlighted a number of changes to

the reporting format and advised that any such changes would be identified within the covering executive summary for future reports. The following key issues were discussed:-

- progress and phasing of CIP savings;
  - compliance with the NHS Improvement ceiling on agency staffing expenditure;
  - Finance Improvement and Technical (FIT) adjustments;
  - accelerated release of £1.5m central reserves;
  - key risks (totalling £19.9m) surrounding the supplementary CIP target, CMG and Corporate Directorate performance, FIT actions, medical agency staffing costs and commissioner affordability. The appropriate mitigation measures were detailed on page 24 of paper D;
  - concerns surrounding the general imbalance across the national health economy which resulted in Providers aggregating a financial deficit and Commissioners generating a surplus;
  - the Trust's liquidity position (noting an in-month increase of £9.0m in accounts payable);
  - overseas visitor debts and implementation of the new Overseas Hospital Charging Regulations;
  - capital expenditure of £10.5m (£0.9m favourable to plan);
  - a potential opportunity for UHL to be named on the relevant OJEU notice for a regional Public Private Partnership;
- **Cost Improvement Programme** – paper E1 provided the month 5 progress report advising of in-month delivery of £2.3m (against the planned £2.9m) and a forecast outturn of £39.2m against the £44.2m target. A breakdown by CMG and Corporate Directorate was provided on slide 6 of paper E1 and assurance was provided that regular escalation meetings were being held with each of the under-performing areas. Particular discussion took place regarding the Estates and Facilities CIP schemes (energy, combined heat and power, car parking and re-charging the University for use of UHL accommodation). Members also considered the impact of the theatre ventilation breakdown at Glenfield and estates and facilities pay harmonisation via natural evolution. Indicative CIP targets for 2018-19 were provided on slide 10, but members considered the scope for a more intelligent target setting process, based upon productivity, efficiency and the scale of opportunity within each CMG or Corporate Directorate. A summary of the £3.5m supplementary CIP schemes was currently being prepared (following conclusion of the review meetings with CMGs and Corporate Directorates). This was scheduled for Trust Board consideration on 5 October 2017. The Chief Financial Officer also referenced the operational pressures surrounding delivery of the 4-hour target for emergency care and the likely cost pressures for sustaining specific interventions going forwards. It was agreed that this issue would be considered in more depth at the People, Process and Performance Committee later that day;
  - **Strategic Use of the Managed Equipment Service (MES) Model** – FIC received a briefing report on the arrangements for managing and prioritising the medical equipment budget, noting that any Managed Equipment Service contracts were now funded from internally generated capital. Currently £5.1m of the £10.1m budget was being allocated to imaging equipment supplied through MES and this was not currently aligned with the priorities of the wider medical equipment replacement programme. Assurance was provided that a robust system was in place for allocation of the remaining budget and that the use of MES. A review of the strategic use of MES contracts would be built into the next report on the Capital Programme;
  - **Strategic Infrastructure Review update** – Mr N Bond, Head of Capital Projects attended the meeting to introduce paper H, highlighting the focus on infrastructure improvements to support the Strategic Reconfiguration Programme schemes at Glenfield Hospital (ITU expansion, additional wards, and new radiography rooms). A gap analysis had been undertaken and additional investment was required in heating and hot water supplies, medical oxygen, medical vacuum capacity and high and low voltage electricity supplies. Assurance was provided that any infrastructure improvements were being future-proofed to support future developments. Discussions had been held with the local electrical supply authority and the indicative cost for a new mains supply from Beaumont Leys would be in the region of £1.5m (excluding the additional sub-station capacity estimated at £600k);
  - **East Midlands Pathology Network update** – paper J provided an update on the development of the business case to establish a pathology network between UHL, NUH, Kettering, Northampton and Sherwood Forest. Appendix 1 provided a letter from NHS improvement which proposed the

establishment of a pathology network which including the 5 previously named Trusts plus Derby and Chesterfield. A copy of the proposed response letter was provided at appendix 2;

- **IBM Contract Quarterly Update** – paper K provided the quarterly update on the IBM contract, noting the improvements required to the desktop service, additional plans for increasing security awareness and appropriate testing of susceptibility to ‘phishing’ attacks. The Chief Information Officer highlighted some recent changes to the formatting of links contained in emails which now demonstrated whether the links were from a valid source. The Committee considered opportunities to strengthen the transformation and strategic aspects of the contract and members expressed an interest in holding a follow-up Trust Board thinking day at IBM’s headquarters in London;
- **Reports for Scrutiny and Information** – the Committee received and noted the following documents:-
  - Timetable for UHL business case approvals – the Chief Financial Officer highlighted the exchange of correspondence with NHS Improvement (as appended to paper L) relating to capital funding for the LLR Sustainability and Transformation Plan and the associated changes in timescales;
  - Minutes of the 29 August 2017 Executive Performance Board;
  - Minutes of the 17 August 2017 Capital Monitoring and Investment Committee;
  - Minutes of the 17 August 2017 Revenue Investment Committee, and
- **Any Other Business** – members noted the intention to introduce a new format for the Finance and Investment Committee meeting summaries (with effect from the October 2017 meeting).

**ITEMS DEFERRED TO THE NEXT MEETING:**

- None

**DATE OF NEXT COMMITTEE MEETING:** 26 October 2017

**Mr M Traynor – Committee Chair and Non-Executive Director**

28 September 2017

**Title                      Finance and Investment Committee**

**Constitution :** The Finance and Investment Committee (FIC) is established as a standing committee of the Trust Board and is accountable to the Trust Board. Its constitution and terms of reference shall be as set out below, subject to amendment at future Trust Board meetings.

The Committee will meet in private.

The Minutes of meetings of the Committee shall be formally recorded by the Secretary to the Committee and submitted to the Trust Board.

The appointment of sub-committees by the Committee shall be in accordance with the Trust's Standing Orders. The Minutes of meetings of any sub-committees appointed by the Committee shall be submitted to the next available meeting of the Committee.

**Membership :** The Committee shall be appointed by the Trust Board.

The voting membership of the Committee shall be three Non-Executive Directors, the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer.

The Trust Board Chairman shall be an ex-officio member of the Committee

A Patient Partner – who shall be non-voting - will be a co-opted member of the Committee with speaking rights and shall be invited to attend each meeting of the Committee.

To carry on the business of the Committee, other Executive or Corporate Directors and Senior Managers may be invited to attend meetings as deemed necessary.

It is desirable that all members of the Committee, and other postholders to whom standing invitations have been issued, attend all meetings of the Committee. The Committee Chair shall keep attendance under regular review and shall be assisted in this task by the Director of Corporate and Legal Affairs. The Committee Chair shall raise any concerns about attendance at meetings with the Trust Board Chairman and shall seek the support of the Trust Board Chairman in resolving such concerns.

**Secretary :** The Director of Corporate and Legal Affairs (or a member of staff delegated by him/her) shall be Secretary to the Committee and shall attend to take minutes of the meeting and provide appropriate support to the Chair and Committee members.

**Chair:** One of the Non-Executive Director members shall be appointed Chair of the Committee by the Trust Board.

- Quorum :** A quorum shall be three voting members of the Committee, of which two will be Non-Executive Directors.
- Voting :** In the event that members of the Committee decide to vote on any matter, the issue shall be determined by a majority of the votes of the voting Directors present and voting on the question and, in the case of any equality of votes, the person presiding shall have a second or casting vote.
- Frequency :** Meetings shall normally be held monthly. Additional meetings may be convened by the Committee Chair at his/her discretion.
- The Committee will be supported by an agreed timetable of agenda items which will reflect the annual business cycle. All other agenda items will be subject to agreement by the Committee Chair, prior to the meeting.
- Authority :** The Committee is authorised by the Trust Board to investigate any activity within its terms of reference. The Trust Board may itself refer items of business to the Committee for determination and/or, where appropriate, to make recommendations to the Trust Board. The Committee is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the Committee.
- The Committee is authorised by the Trust Board to request the attendance of persons outside the Trust with relevant experience and expertise if it considers this necessary.
- Duties :** To review the financial (reporting and forecasting) arrangements of the Trust to ensure that they are comprehensive and provide the necessary, timely and accurate information to the Trust Board to enable effective decision-making. The Committee does not replace proper consideration of the Trust's finances by the Trust Board; rather, it provides a forum for scrutiny and challenge on financial management matters to facilitate a better informed discussion at the Trust Board.
- To review financial performance reports and to highlight variations from the financial plan.
- To challenge overall performance and the indicators which measure the priorities and risks identified by the Trust Board; and to ensure that actions are being taken to bring variances back into line across all indicators.
- To review and recommend to the Trust Board the annual operational and financial plan, and the annual capital and revenue budgets.
- To review the Trust's performance against the annual financial

plan, and the annual capital and revenue budgets.

To consider the Trust's financial forecasts.

To consider proposals for maximising the benefits from the Trust's assets and resources.

To monitor and review the Trust's commercial activities.

To examine the economy, efficiency, and effectiveness in the Trust's use of resources.

To monitor actions being taken to address any area of poor financial performance.

**Reporting:**

The Committee will report to the Trust Board on its work.

**Review:**

The Committee shall conduct an annual review of its effectiveness and provision shall be made in the annual work programme of the Committee to enable such a review to be conducted. The results of the annual review shall be recorded in the Minutes of the Committee, which shall be submitted to the Trust Board.

The terms of reference of the Committee shall be reviewed by the Trust Board annually.