

**Cover report to the Trust Board meeting to be held on 4 July 2019**

**Trust Board paper K**

<b>Report Title:</b>	Finance and Investment Committee – Committee Chair’s Report (formal Minutes will be presented to the next Trust Board meeting)
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<b>Reporting Committee:</b>	Finance and Investment Committee
<b>Chaired by:</b>	Martin Traynor, Non-Executive Director
<b>Lead Executive Director(s):</b>	Rebecca Brown, Chief Operating Officer Paul Traynor, Chief Financial Officer Mark Wightman, Director of Strategy and Communications
<b>Date of last meeting:</b>	27 June 2019

**Summary of key matters considered by the Committee and any related decisions made:**

This report provides a summary of the following key issues considered at the Finance and Investment Committee on 27 June 2019:-

- **Revision to FIC terms of reference – Patient Partner attendance** – reflecting the new UHL Patient and Public Engagement Strategy as approved by the Trust Board, FIC members endorsed the proposed change to the terms of reference of the Finance and Investment Committee (involving the removal of the clause relating to Patient Partner attendance). This change was now recommended for Trust Board approval accordingly.
- **2019/20 Month 2 Financial Performance** – month 2 financial performance was broadly on track; the Trust had achieved a year-to-date financial deficit of £14.8m excluding Provider Sustainability Funding (PSF), Financial Recovery Funding (FRF) and Marginal Rate Emergency Tariff (MRET), which was in line with plan. Including PSF/FRF/MRET, the Trust had achieved a year-to-date deficit of £10.6m (also in line with plan). The position within the Musculoskeletal and Specialist Surgery CMG and the Estates and Facilities Directorate was offset by coding improvements. The Trust remained within the agency expenditure cap set by NHSI, which was welcomed. The Chief Financial Officer outlined both the pay and non-pay position for month 2 (noting the impact of drug and devices costs), and advised that he was not currently concerned by the adverse non-pay position. Since the May 2019 FIC, all outstanding contractual queries had now been resolved with Commissioners. With regard to forecasting, the Chief Financial Officer advised that from month 3 onwards the monthly finance report to FIC would also clearly identify a number of emerging commitments with a first call on reserves. FIC briefly discussed the potential service impact of changes to Consultant pensions (which had also been discussed at the Clinical Senate) and also noted the impact of improvements to clinical coding (see also below).
- **Update on the 2019/20 capital programme** – the report briefed FIC on the revised UHL capital programme for 2019/20, which – given the very significant national constraints on capital – was now constructed on the basis that no external funding was available. UHL’s 2019/20 capital programmes for medical equipment, IM&T, and estates and facilities had therefore been reworked, and all capital budget holders were now operating an ‘emergency capital budget’ control process, to ensure that only critical elements of capital expenditure were committed. FIC noted the significant reduction involved. The Audit Committee Non-Executive Director Chair sought assurance that appropriate detail would be provided on the risks of the revised capital programme 2019/20, down to the level of individual schemes. FIC agreed that this was needed for all of the elements of the capital plan, and the Chief Financial Officer advised that in addition to a monthly capital update he would also provide a report to the July 2019 FIC re: the specific risks across all 3 streams of the 2019/20 capital programme. FIC was also briefed on the proposed revenue solution for decontamination (and the associated costs), as presented to the 25 June 2019 Executive Quality and Performance Board.
- **UHL Productivity Improvement Programme (PIP) and deep dive into clinical coding** – the Director of Productivity presented the monthly PIP update, noting the £26.6m target for 2019/20. £25m of that £26.6m had now been identified, and work continued to identify the remaining £1.8m and to reduce the programme delivery risks. The Director of Productivity was working closely with CMGs, and FIC noted that the PIP programme was broadly on target as of month 2. In 2019/20, 6 key workstreams would drive financial improvement (procurement; coding; theatres; outpatients; clinical support, and workforce [premium pay]). The Director of Productivity also suggested that it would be helpful for FIC to receive a future briefing on PLICS work. Members of PwC then attended to present a deep dive into coding work. PwC outlined the very significant benefits of improving the quality of recorded patient care, including better planning and forecasting, benchmarking, mortality data, and more accurate reimbursement for complex work. PwC set out the financial impact of coding at peer average and peer upper quartile levels, and included a service case study. In discussion, FIC queried whether the majority of Trusts at the upper quartile level had electronic patient records, and how far they were using automated solutions for

capturing coding. FIC also discussed the process for flagging any coding practice changes to Commissioners.

- **UHL procurement strategy** – the Head of Procurement attended to update FIC on performance against the Trust’s 3-year procurement strategy (2015/18), noting an improved position on the majority of measures. The Procurement team was aiming to deliver a £7.6m productivity improvement programme for 2019/20 (non-pay). UHL’s procurement strategy for 2019/22 was currently in development and would be brought to FIC in quarter 3 of 2019/20 for approval. In presenting the update, the Head of Procurement also noted the impact of the Procurement Target Operating Model (PTOM) launched by NHS Improvement in December 2018, and confirmed UHL’s involvement in the Trust Reference Group to help shape that blueprint for the future of NHS Procurement.
- **UHL Commercial Strategy and Intellectual Property Policy** – the Chief Financial Officer advised that Non-Executive Director comments were awaited on the draft version; once received, that work would be progressed.
- **CQC Use of Resources update** (paper deferred from the May 2019 FIC) – the Director of Operational Finance advised that the position had not changed since discussion at a recent Trust Board thinking day. A meeting on the Use of Resources requirements was scheduled with NHSI/E on 10 July 2019, and a further update would therefore be provided to the July/August 2019 FIC.
- **Potential Reforms to Simplify VAT Rules on Contracted Out Services** (paper deferred from the May 2019 FIC) – the report briefed FIC on HMRC’s consultation on this issue (as part of a wider review of VAT simplification within the public sector). This was a complex technical issue, and the briefing also advised that NHS organisations would now have the right of appeal in respect of Contracted Out Services assessments. Appropriate updates on the outcome of the consultation would be provided to future FIC meetings.
- **Quarterly update on the IBM contract** – the Acting Chief Information Officer presented the report, covering performance by UHL’s IM&T managed business partner for the period March – May 2019. UHL was currently in the 7<sup>th</sup> year of its contract with IBM. Although performance remained steady against the core contractual metrics, UHL was reviewing some of the service level targets and service descriptions listed in the contract, to ensure they reflected current priorities and requirements. In response to a query from the Trust Chairman, the Acting Chief Information Officer advised that any contract extension discussions would take place from year 8 onwards. In general discussion, FIC noted that constraints on national capital availability were impacting on the e-hospital programme, although a way forward had been identified.
- **Items for noting** – FIC received and noted the following reports for information:-
  - Timetable for UHL Business Case Approvals
  - FIC Calendar of Business 2019/20
  - Action notes from the 28.5.19 Executive Performance Board
  - Action notes from the 10.5.19 Capital Monitoring and Investment Committee

**Matters requiring public Trust Board consideration and/or approval:**

***Recommendations for approval***

- Amendment of the FIC terms of reference, removing the clause relating to Patient Partner attendance

***Items highlighted to the Trust Board for information***

- None

**Matters referred to other Committees:**

- **None**

**Date of next meeting:** | 25 July 2019