University Hospitals of Leicester NHS Trust

Cover report to the Trust Board meeting to be held on 3 June 2021

	Trust Board paper J4
Report Title:	**Finance and Investment Committee – Committee Chair's Report**
Author:	Helen Stokes, Corporate and Committee Services Manager

Reporting Committee:	**Finance and Investment Committee (FIC)**
Chaired by:	Andrew Johnson, Non-Executive Director
Lead Executive Director(s):	Simon Lazarus, Chief Financial Officer and Debra Mitchell, Acting Chief Operating Officer
Date of FIC:	27 May 2021

Summary of key public matters considered by the Committee:

This report provides a summary of the key public issues considered by the Finance and Investment Committee on 27 May 2021 *(involving Mr A Johnson FIC Non-Executive Director Chair; Col (Ret'd) I Crowe Non-Executive Director; Ms K Gillatt Associate Non-Executive Director; Mr I Orrell Associate Non-Executive Director; Mr B Patel Non-Executive Director; Mr M Williams Non-Executive Director; Mr S Lazarus Chief Financial Officer; Ms D Mitchell Acting Chief Operating Officer; Mr R Cooper Financial Improvement Director; Miss M Durbridge Director of Quality Transformation and Efficiency Improvement; Mr J Shuter Director of Operational Finance; Mr D Kerr Director of Estates and Facilities [part], and Mr N Bond Deputy Director of Estates and Facilities [part].* Full Minutes will be issued prior to the June 2021 FIC and July 2021 Trust Board.

- **2021/22 H1 financial planning process** – the Chief Financial Officer presented the updated draft financial expenditure plan for the first half ("H1") of 2021/22. The report set out the underpinning assumptions and approach used to develop the plan, highlighted any potential risks to delivery and the proposed mitigations, and in appendix 1 described the changes from Q3 2020/21 to H1 2021/22. A previous iteration of the draft plan had been reviewed by FIC in April 2021 and a draft version had been submitted – as required – to NHSE/I on 6 May 2021. As previously reported, the national planning guidance (issued on 25 March 2021) had confirmed that 2021/22 H1 should be based on activity assumptions experienced in quarter 3 of 2020/21, with H1 equating therefore to Q3 x 2 plus inflation. The draft financial plan for H1 2021/22 prepared on this basis anticipated a break-even position for UHL including the receipt of £21.1m system headroom funding (non-recurrent) and £618m expenditure, and the Director of Operational Finance emphasised the need now to focus on delivery of that plan. The consolidated HI plan at system-level was also a break-even position. The FIC Non-Executive Director Chair considered that the draft UHL plan was sensible, reflected a reasonable settlement, and would enable the Trust to meet its H1 requirements. Mr I Orrell Associate Non-Executive Director requested assurance on whether the H1 plan also appropriately positioned UHL to deliver H2, and the Chief Financial Officer advised that in essence the H1 plan did not change the 2021/22 underlying £109m deficit position and he emphasised the crucial importance of the Trust's Cost Improvement Programme (CIP) overall. With regard to the 2021/22 H1 CIP, Mr M Williams Non-Executive Director reiterated his comments from the April 2021 FIC, emphasising his continued considerable concerns over the delivery of the £4.8m and the need to move forward on that as a matter of urgency. He noted NHSE/I's very clear expectations of delivery and advised that he would have welcomed a larger CIP target. Mr M Williams Non-Executive Director also strongly emphasised the need to remain focused on progress re: delivering the 2021/22 overall £35m CIP plan, which was echoed by the FIC Non-Executive Director Chair. These concerns would be highlighted to the Trust Board by FIC when recommending the 2021/22 H1 financial plan for approval.

  In further discussion on the draft 2021/22 H1 financial plan, Mr B Patel Non-Executive Director queried what methodology was in place for agreeing the allocation of the system headroom monies. In response, the Chief Financial Officer advised that this was done on the basis of collaborative discussion at CFO-level between system partners, taking an approach therefore of trust and partnership working rather than a more transactional/ contractual stance. The Chief Financial Officer provided assurance that system clinical colleagues had also been appropriately involved in the discussions on sharing risks and opportunities, and he considered that the process had been a good one. At present, there were no further formal monies available to UHL beyond the £21.1m already reflected in the plan. Additional system transformation monies were available, however, and the Director of Quality Transformation and Efficiency Improvement provided assurance to FIC that those funds were being bid for by UHL where appropriate.

  In response to a query from the FIC Non-Executive Director Chair, the Chief Financial Officer advised that the financial value of achieving the Elective Recovery Fund (ERF) targets in H1 was not yet known, but would be included in the H1 outturn forecast being developed for month 2. In response to a further query from the FIC Non-Executive Director Chair re: surpluses from Q3, the Chief Financial Officer outlined the H1 system allocation for 2021/22 (£21.1m from the overall headroom monies agreed to be allocated to UHL).

The 2021/22 draft H1 financial plan is recommended to the Trust Board for approval as attached, noting however FIC's continued concerns over the CIP plan (size and progress) and the need to progress the CIP as a matter of urgency.

- **2021/22 Capital Plan** – due to time constraints at the April 2021 FIC it had not been possible to review the 2021/22 draft £80.3m capital plan in detail, and the plan was therefore now re-presented for review with an update on month 1 performance. Actual committed expenditure in month 1 was £4.1m against £4.7m planned, and the position would be closely reviewed on a monthly basis through improved Capital Monitoring and Investment Committee reporting. The Director of Operational Finance advised FIC that UHL had a good understanding of its capital programme and processes; given the challenges posed by late in-year national capital allocations it was key to remain agile and appropriately-sighted to developments. The FIC Non-Executive Director Chair commented that the draft plan was based on constrained capital availability, and the Director of Operational Finance advised FIC that the UHL 2021/22 capital programme was essentially cash financed, avoiding borrowing as far as possible.
  The 2021/22 draft capital plan is formally recommended to the Trust Board for approval (noting that FIC had endorsed the schemes progression at its April 2021 meeting).

- **Critical infrastructure risk management and the 2021/22 capital plan** – in addition to the 2021/22 capital plan above, FIC also received a report on the methodology for the prioritisation of capital investment for critical infrastructure projects to ensure safe delivery of services. This covered issues such as fire, water compliance, food safety, and critical ventilation. The Director of Estates and Facilities welcomed that UHL was in the position of being able to develop and progress this plan earlier in the year than previously, and he advised FIC that the proposed £10.4m critical infrastructure risk (CIR) investment was in line with the assumptions in the Estates 'state of the nation' report (that report was also being refreshed through Summer 2021). The investments were risk based, and used information from condition and compliance reports (including the previous 6-facet survey), as well as being driven by business continuity needs and statutory compliance requirements. This was an iterative process, also involving Operations and clinical colleagues, and also looked at pre-emptive management of risks. The estates capital management group had now been reinstated and would monitor all schemes closely. The report set out the overall critical infrastructure risk position by UHL site, split into high/significant/moderate/low risk categories. The Deputy Director of Estates and Facilities advised FIC that the costs in the report excluded VAT, professional fees, project management and decant costs. The FIC Non-Executive Director Chair noted that the state of the nation report had highlighted some concerns over the backlog maintenance position, and he commented that residual risk would remain after this proposed investment. Noting the crucial importance of this issue, Mr B Patel Non-Executive Director welcomed the report and requested that an 'amber' flag be added to any items within the 'significant risk' category to ensure continued attention. Mr I Orrell Associate Non-Executive Director queried whether figures were held on critical infrastructure failures, and the Director of Estates and Facilities provided assurance that reactive jobs would be tracked via the new performance report being used in estates. Mr M Williams Non-Executive Director highlighted the issue for the public sector as a whole of PFI schemes coming to an end over the next few years and returning assets which might need attention (impacting therefore on demands for system-wide capital allocations) – although recognising this as a wider issue, the Director of Estates and Facilities confirmed that UHL had no PFI or LIFT schemes.
  FIC endorsed the critical infrastructure risk management plan as presented.

- **2020/21 month 12 financial performance and forecast outturn** – the Chief Financial Officer briefed FIC on the Trust's year to date financial performance as at month 1, noting that the Trust was broadly in line with plan. The actual position (including Top Up funding) was a £0.1m surplus, which was £0.3m favourable to plan. The FIC Non-Executive Director Chair noted his view that the relatively small variance was good progress and reflected improved financial control. The Chief Financial Officer advised that CIP delivery remained a concern, and would be discussed later in the meeting. The report was a shorter version than usual but the full format of the monthly finance report would be returned to from month 2 onwards and would at that point also include an H1 outturn forecast accompanied by any mitigating actions (should they be required). The Acting Chief Operating Officer then briefed FIC on activity performance as at month 1 and explained the impact of the ERF monies associated with restoration and recovery delivery. Month 1 activity levels had improved, and the Acting Chief Operating Officer noted that she would circulate the detailed activity position against the ERF thresholds to FIC members for information. She also advised, however, that the ERF thresholds related to the financial value of the activity; that reconciliation exercise was currently underway. Trust Board-level discussions were planned re: the focus on driving restoration and recovery, noting the potential financial impact if thresholds were not met.
  The 2021/22 month 1 financial position is highlighted to the Trust Board for information.

- **Financial Recovery Board (FRB)** – FIC received and noted for information the action notes from the FRB meetings held on 24 April 2021, the actions from 12 May 2021, and the agenda from the FRB meeting on 26 May 2021.

- **Items for noting** – the following reports were received for information:-
    - Executive Finance and Performance Board action notes from 27 April 2021, and
    - Executive Finance and Performance Board agenda from 25 May 2021.

Public matters requiring Trust Board consideration and/or approval:

Recommendations for approval

- 2021/22 draft H1 financial plan;
- 2021/22 draft capital plan.

Items highlighted to the Trust Board for information

- 2021/22 month 1 financial position;
- discussions re: critical infrastructure risk management.

Public matters referred to other Committees:

Transformation team structure and strategy – deferred to June 2021 FIC.

Date of next FIC meeting:	24 June 2021

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

Finance and Investment Committee 27 May 2021

2021/22 Financial Plan – April to September 2021 ("H1")

Author: Simon Wombwell – Financial Consultant Sponsor: Simon Lazarus – Chief Financial Officer FIC paper E

Purpose of Report:

This paper is for:	Description	Select (X)
Decision	To formally receive a report and approve its recommendations OR a particular course of action	X
Discussion	To discuss, in depth, a report noting its implications without formally approving a recommendation or action	
Assurance	To assure the Board that systems and processes are in place, or to advise a gap along with treatment plan	
Noting	For noting without the need for discussion	

Previous Consideration:

Meeting	Date	Please clarify the purpose of the paper to that meeting using the categories above
CMG Board (specify which CMG)		
Executive Board	17/3/2021 21/4/2021 28/4/2021	Discussion paper to FRB. Financial Planning update on System Headroom bids Financial Plan H1 update
System Operational Group (SOG)	23/4/2021	System Financial Plan 2021/22 H1
Trust Board Committee		
Trust Board	1/4/2021	Draft Expenditure Plan for Q1 approved.

Executive Summary

Context:

The National Planning Guidance was released on 25th March 2021 indicating all NHS organisations will plan for FY2021/22 in two half year periods. The guidance set out first half year (H1) planning requirements, based on 2020/21 Quarter 3 levels of spending/activity/workforce i.e. our October to December 2020 spending (multiplied by two) creates our H1 funding 'envelope'. In addition, all 'Systems' have been awarded *System Headroom*; essentially an additional, non-recurrent allocation to collectively manage any 'pressures' above the Q3 level. This commits UHL to agree Plans at System level and support a break even position across the LLR System.

The H1 process is essentially a continuation of the temporary financial arrangements in place through 2020/21, including funding 'Top Up' to support all NHS organisations achieve a balance of Income and Expenditure (based on Q3 spending levels). Whilst this position maintains UHL's ability to remain in financial balance, it does not support growth funding allocations (above inflation) and any new investment decisions will now be made at LLR System level.

The UHL H1 2021/22 financial plan requires Trust Board approval following submission to NHSE&I on 6th May 2021 (as part of the LLR System overall H1 Plan).

The release of H2 planning guidance (date or contents) has not yet been confirmed.

Questions:

1. **What is the Financial Plan for H1?**

   The overall UHL Financial Plan for H1 2021/22 is break even. The Plan mirrors the national guidance i.e. CMGs and Corporate Directorates are provided with a budget equivalent to their Q3 spending level, increased for specified price pressures and reduced for non-recurrent COVID-19 related spending and cost improvement targets (CIPs). We have also agreed additional marginal cost funding for expected activity above Q3 levels.

   Our planning process estimated a number of pre-commitments to spending above Q3 spending levels. System Headroom Funding has been agreed to fund a significant proportion of this spending.

   National Planning Guidance identified a small number of further funding 'pots'. Key elements: Pay Awards, CNST uplifts, Ockenden, Excluded Drugs & Devices and the Elective Recovery Fund (ERF). Co-ordination of bids for these funding pots will be at System level, with further funding allocated if successful.

   The consolidated LLR System (including CCGs and LPT) will be a break even Plan.

2. **How will we manage cost pressures, investments, inflation and full year effects above Q3 levels of spend?**

   The primary funding source available is *System Headroom* – an allocation made to System-level above the combined Q3 spends (LLR = £42m). Our list of pressures required support and sign-off at System-level (completed on 23rd April 2021 by System Operations Group (SOG)).

   UHL has been allocated £21m (non-recurrent) above the c£602m (Q3*2 spending level + inflation) to cover the impact of contract price increases (above standard inflation), activity increases and agreed pre-commitments. £7.5m of the UHL headroom will be retained by CCGs and only issued when spending is incurred (relates to overseas nurse recruitment and activity increases).

   The LLR System has also created a Contingency Reserve of £5.9m to support any further pressures within the System (supporting UHL, Leicester Partnership Trust and Primary Care). Systems can also access the Elective Recovery Fund (ERF) – a bonus scheme for achieving target activity levels (>75% rising to >85% of 2019 elective financial values from June 2021) provided 'Gateway Criteria[1]' are met

   We expect to be issued further funding from nationally held resources, including the Ockenden Review (Maternity), Pay Awards, OP video consultation and Long COVID-19 Services.

3. **What does this mean for our underlying deficit and the work we have been doing in the broader planning process, and restoration and recovery requirements?**

   The H1 financial plan does not change our underlying position of a £109m deficit. We will need to conclude the more detailed process to set budgets and secure growth funding for any new developments with Commissioners. We will also be required to conclude plans to reduce our £109m deficit, supported by LLR System partners, over a three to four year period.

   We do not yet know the format of H2 planning. This will be dependent upon COVID-19 levels and the effectiveness of vaccines evidenced through H1. However, the emerging System-based 'landscape' will

[1] Gateway Criteria link to waiting list analysis (equality, deprivation and ethnicity), clinical prioritisation, OP transformation, System-led recovery and people recovery. Each requires an output form LLR System.

require a reassessment of UHL's planning and medium-term strategy (including tertiary/specialist services), even consideration of a reset of current plans in line with LLR System and Specialist Commissioners[2] own revised strategies and funding constraints.

Conclusion:

1. UHL has established a H1 budget, consistent with national guidance, to achieve I&E balance in H1
2. Risks will be managed through the System Headroom and System contingency reserve
3. We expect H2 planning guidance in the summer

Input Sought:

The Finance & Investment Committee is asked to **support** the contents of this paper and **approve** the budget for H1**.**

For Reference:

This report relates to the following UHL quality and supporting priorities:

1. Quality priorities

Safe, surgery and procedures	No
Improved Cancer pathways	No
Streamlined emergency care	No
Better care pathways	No
Ward accreditation	No

2. Supporting priorities

People strategy implementation	No
Investment in sustainable Estate and reconfiguration	No
e-Hospital	No
Embedded research, training and education	No
Embed innovation in recovery and renewal	No
Sustainable finances	Yes

3. Equality Impact Assessment and Patient and Public Involvement considerations

- What was the outcome of your Equality Impact Assessment (EIA)? Not Applicable
- Briefly describe the Patient and Public Involvement (PPI) activities undertaken in relation to this report, or confirm that none were required. None Required
- How did the outcome of the EIA influence your Patient and Public Involvement? Not Applicable
- If an EIA was not carried out, what was the rationale for this decision? Not Applicable

4. Risk and Assurance

Risk Reference:

Does this paper reference a risk event?	**Select (X)**	**Risk Description:**
Strategic: Does this link to a ***Principal Risk*** on the BAF?	X	PR4: Financial Sustainability
Organisational: Does this link to an ***Operational/Corporate Risk*** on Datix Register		

[2] We expect specialist commissioning budgets to be devolved to local commissioners, possibly as early as 2022/23.

New Risk identified in paper: What ***type*** and ***description***?		

5. Scheduled date for the **next paper** on this topic: TBC - Planning timetable may not allow
6. Executive Summaries should not exceed **5 sides** This paper does comply

2021/22 Financial Plan - April to September 2021 ("H1")

INTRODUCTION

1. National guidance for the 2021/2022 Planning process was received on 25th March 2021, with a deadline to complete financial planning (at System level) by 6th May 2021.
2. Organisations are required to set a plan for the first half of 2021/22 (H1) based on 2020/21 Q3 level of spending/activity/workforce plus 0.5%. To allow for increases in spending above Q3y, each System has been allocated *System Headroom* – a further sum to manage pressures and increases in costs over the Q3 level.
3. All organisations are required to set a Plan which balances income and expenditure at System-level i.e. LLR System including the use of a System Headroom. For LLR, the System Headroom is £42m, to be available to all partners in the LLR System on a non-recurrent basis.
4. The 2021/22 Planning Guidance emphasises the move to System-level working, System-level planning and agreement. Systems are expected to set a Plan balancing income and expenditure at System level.
5. Planning guidance for the second half of this financial year (October 2021 to March 2022 - H2) is expected to be issued in the summer.
6. As a result of the delay in national guidance, we completed an exercise to create a draft plan for Q1 based on January 2021 (latest available spending). This was approved by Trust Board on 1st April 2021. We have used much of the outputs of this exercise to complete the H1 Planning work and meet the national timetable of less than five weeks (considering System and UHL governance requirements).

FUNDING ENVELOPE

7. Financial funding envelopes (our income) are based on Q3 expenditure, doubled to give H1 funding. This equates to c£598m for UHL.
8. In addition, we have been awarded a 0.5% cash increase for inflation, which will be increased by 0.28% from cash-releasing cost improvement plans (CIPs). Further funding has been made available to support increased CNST (Clinical Negligence Scheme for Trusts i.e. insurance) costs, which increased by more than £5m for UHL (on a CNST base cost of £35m). These increases push our Q3 financial envelope to c£602m.
9. The System has also been allocated *System Headroom* of £42m. This is a 'top up' allocation made to all systems to manage increases in costs and any crystallised risks (above Q3 and inflation). The non-recurrent System Headroom is being used to support delivery of balanced plans, as follows:
   - Financial charges and adjustments not present during Q3 e.g. overseas nurse recruitment
   - Inflation above the national average e.g. CNST, IT contracts, utilities
   - Marginal cost of activity greater than Q3 level
   - Pre-committed developments e.g. EMCHC
   - System Contingency – 0.5% or £5.9m
10. Additional funding for pay awards will be issued once agreed.
11. The LLR System has also asked us to request further central funding to cover the £0.8m cost of six additional critical care beds (to address shortfalls identified as a result of the pandemic) and potential revenue consequences of asset revaluations or 2019/20 accounts restatements (value yet to be determined).
12. The LLR System can also access centrally held ring-fenced funding:

12.1. Elective Recovery Fund (ERF) – this is a bonus pool issued to Systems who meet set activity targets relative to 2019 levels. To qualify, Systems are required to fulfil a set of *Gateway Criteria*

12.2. Ockenden Review - £80m nationally is available to support the implementation of the recommendations in Maternity

12.3. Smaller funds are also being made available to support Outpatient transformation (video conferencing) and Long COVID-19 services

13. The table below summarises the Plan for H1 compared to Q3 times two (figures in £000s):

UHL 21/22 Plan Total	Q3*2 £'000	H1 £'000
Net LLR CCG Income	372,658	363,144
Net Non LLR CCG Income	188,448	190,006
Total PCI Income	**561,107**	**553,151**
Other Operating Income	72,644	67,006
Other Income	72,644	67,006
Total Income	**633,751**	**620,157**
Q3 Expenditure [*2] before Non Operating Costs	(569,646)	(569,646)
Holiday Pay Adjustment		984
EDD		1,032
Inflation		(7,062)
Trust Med Adjustment		121
CIP		4,800
Expenditure Allocation After CIP	(569,646)	(569,771)
Non Operating Costs	(23,653)	(28,008)
Expenditure Befor H1 Pre Commitments	(593,299)	(597,779)
Cost of Pre -Commitments		(21,181)
Total Expenditure	(593,299)	(618,960)
Net Surplus/Deficit	40,452	1,197
Donated Income Adjustment	(4,953)	(1,197)
Adjusted Net Surplus/[Deficit]	35,499	0

14. A more detailed analysis of the changes from Q3 to H1 is described in Appendix 1.

15. The above table describes an overall reduction in income (compared to Q3) which effectively removes the surplus reported last year (effectively recycled to create the System Headroom).

16. Expenditure levels are adjusted for inflation, changes in our activity mix (reduced COVID-19 patients (except testing and vaccinations) and increasing elective activity). There is also the addition of pre-commitments (see below), including the impact of increased non-operating costs (depreciation and PDC interest).

APPROACH

17. In order to meet the nationally set planning timescales, we have utilised the work which created the draft Q1 Expenditure Plan (Paper received and approved by Trust Board on 1st April 2021). This work was completed with the involvement of CMGs and Corporate colleagues, with approval avoiding any risk of expenditures being committed in 20221/22 without authority from the Board. The outputs from the draft Q1 Plan exercise (only covered April to June) were checked and updated to allow for extended implications in July to September.

18. The resulting cost pressures (above Q3), resulting from pre-commitments, specified key risks, higher than standard inflation and additional activity levels have been summarised with agreements to access System Headroom. The System Headroom allocation for UHL is summarised in the table below:

UHL Investment Review H1 21/22			
Description	Accepted £'000	Alternative Source £'000	Examples
Pre-Commitments	(7,880)	0	Professional advisers, contracts & Recruitment above Q3
Reconfiguration Total	(743)	0	EMCHC
Total Pre-Commitments	**(8,623)**	**0**	
Inflation (above 0.78%)	(990)		Blood, utilities, IT contracts
Depreciation PDC Interest	(4,056)		
Marginal Cost of H1 activity > Q3	(3,312)		
Intolerable Risks	(4,145)	(800)	Overseas nurses, Independent Sector & ITU beds
Total System Headroom Allocation	**(21,126)**	**(800)**	

19. The identified pre-commitments are undergoing further work to confirm values and align with workforce plans. The £7.9m will be retained in a 'committed reserve' until there is evidence of spending above Q3 levels.

20. All CMGs and Corporate Directorates have been allocated CIP targets totalling a target of £4.8m in H1.

21. The budgets uploaded for M1 (Phase 1 upload) for CMGs and Corporate Directorates will be Q3*2 plus inflation, less CIP targets. The allocation of the committed reserves (Phase 2) will be actioned in M2.

RISKS

22. The risk assessment of the Plan identifies the following potential pressures:

22.1. **Inflation risk** – our inflation calculations are based on the national assumptions i.e. general level of inflation is 0.78%. In certain circumstances, we have been able to identify and agree System Headroom to cover specified, known items which will incur inflation above the 0.78% headline rate. These are utilities, specified maintenance contracts, blood products and CNST premiums above the national adjustment. We have not been able to calculate potential pressures in medicines costs and major medical supplies; instead we rely upon the national guidance at 0.78%. Our risk assessment suggests we may carry a further £1.5m of inflation risk based on medicines inflation at 5% and medical supplies at 2.5%. Mitigations are to control price rises (through alternative sourcing, where appropriate) or call upon System Headroom.

22.2. **Activity Cost risk** – we have modelled the impact of planned activity levels above the Q3 baseline, including assumptions about marginal costs and activity mix (acuity). Following changes in clinical practice, there is potential for changes in our marginal costs and, as a result of a change in case mix, the actual mix of patients may attract different costs. Further, in order to address patients wait times, actual activity levels may prove higher than we have modelled. This will be mitigated through monthly monitoring and access to System Headroom or the Elective Recovery Fund.

22.3. **January 2021 Run Rate versus Q3 Run Rate** – there is a small risk that our budget setting exercise (building on the January comparator) means some costs are not yet identified (i.e. they were evident in January but not in Q3). To address this issue, we will consider April actual spending compared to the Q3*2 allocation and refine as required. The allocated System Headroom should provide the capacity to adjust allocations.

22.4. **Cost Improvement Programme (CIP)** – our 2021/22 programme is linked to productivity improvements reducing costs, particularly the use of premium cost staffing. The adoption and changing requirements around clinical practice e.g. infection prevention and control measures means it may be difficult to demonstrate productivity improvements.

22.5. **Additional funding applications** – The LLR System has agreed that we should seek additional funding for the planned increase in ITU beds (six beds to deliver recommended capacity to better manage in a pandemic) and the impact of 2019/20 accounts restatements not already reported in the accounts (this work is subject to ongoing professional advice). The values are £800k and 'to be confirmed' respectively. In the event these items are not met centrally, we would need to revert to System Headroom (if available).

22.6. **Emerging cost pressures** – there is a risk that pressures over and above the £21m headroom will crystallise during H1. These will need to be identified at the earliest opportunity via the forecasting process each month and managed, but either identify internal sources of funding or, if necessary and appropriate, raising with system colleagues to access additional headroom funding.

CONCLUSION

23. The UHL H1 financial plan for I&E break-even is realistic given the allocation of £21m of System Headroom and consistent with national guidance.

24. The Plan does contain some risk but we have the capacity to access System contingency, where appropriate, to manage these risks.

25. The Plan requires Departments to remain within a strict spending envelope linked to Quarter 3 spending levels with identified increases being funded, linked to System Headroom allocations.

26. The Plan does not include any material items of new developments, so we should expect this level of spending to remain within our £109m underlying deficit.

27. Further work will be required to establish Plans for H2 (and beyond) once formal guidance is issued, where we might expect income levels to fall (removing the 'top up') and proposed new developments and pressures will need to be agreed at System level. This may require a review of our existing medium-term plans and confirmation of funding sources.

Simon Wombwell
Financial Consultant

Simon Lazarus
Chief Financial Officer

27th May 2021

Appendix 1: Breakdown of Income and Expenditure describing changes from Q3 to H1

Reasons for changes between Q3 and H1

UHL Plan 21/22	Q3	Q3*2	System Clawback	Other adj	Subtotal before Inflation & CIP	Growth / Inflation	CIP	Subtotal	System Headroom	Further Income	CIP Contingency, EDD Reserves	Donated Adjustments	H1
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net LLR CCG Income	186,329	372,658	(36,482)	(204)	335,973	5,246	0	341,218	21,126	800		0	363,144
Net Non LLR CCG Income	94,224	188,448		1,558	190,006	0	0	190,006	0	0		0	190,006
Total PCI Income	280,553	561,106	(36,482)	1,354	525,979	5,246	0	531,225	21,126	800		0	553,151
Other Income	36,322	72,644	0	(2,035)	70,609	0	0	70,609	0	0		(3,603)	67,006
Total Income	316,875	633,750	(36,482)	(680)	596,745	5,246	0	601,991	21,126	800		(3,603)	620,157
Q3 Expenditure	(284,823)	(569,646)			(569,646)			(569,646)					(569,646)
Holiday Pay Adjustment				984	984			984					984
EDD Alignment Adjustment				1,032	1,032			1,032					1,032
Inflation					0	(7,062)		(7,062)					(7,062)
Trust Med Adjustment				121	121			121					121
CIP					0		4,800	4,800					4,800
Expenditure Allocation after CIP	(284,823)	(569,646)	0	2,137	(567,509)	(7,062)	4,800	(569,771)	0	0		0	(569,771)
Non Operating Costs	(11,827)	(23,653)		(299)	(23,952)			(23,952)	(4,056)				(28,008)
Total Expenditure before H1 Pre Commitments	(296,649)	(593,299)	0	1,838	(591,461)	(7,062)	4,800	(593,723)	(4,056)	0		0	(597,779)
Costs of pre Commitments	0	0		0	0	0	0	0	(17,070)	(800)	(3,311)	0	(21,181)
Total Expenditure	(296,649)	(593,299)	0	1,838	(591,461)	(7,062)	4,800	(593,723)	(21,126)	(800)	(3,311)	0	(618,960)
Net Surplus/Deficit	20,226	40,452	(36,482)	1,158	5,285	(1,816)	4,800	8,269	0	0	(3,311)	(3,603)	1,197
Donated Asset Adjustment	(2,477)	(4,953)			(4,953)			(4,953)				3,756	(1,197)
Adjusted Net Surplus	17,749	35,499	(36,482)	1,158	332	(1,816)	4,800	3,316	0	0	(3,311)	153	0

2021/22 Month 1 Capital Spend and 2021/22 Capital Plan

Author: Nick Sone (Financial Controller)/ Kat Herrgott-Penter (Senior Capital Accountant) Sponsor: Simon Lazarus – Chief Financial Officer

FIC paper I

Purpose of Report:

This paper is for:	Description	Select (X)
Decision	To formally receive a report and approve its recommendations OR a particular course of action	
Discussion	To discuss, in depth, a report noting its implications without formally approving a recommendation or action	x
Assurance	To assure the Board that systems and processes are in place, or to advise a gap along with treatment plan	
Noting	For noting without the need for discussion	

Previous Consideration:

Meeting	Date	Please clarify the purpose of the paper to that meeting using the categories above
CMG Board (specify which CMG)	Not applicable	-
Financial Recovery Board	Not applicable	-
Trust Board Committee	Not applicable	-
Trust Board	Not applicable	-

Executive Summary

Context:

This paper presents the Trust's 2021/22 capital programme and Month 1 capital expenditure position, as reported to the Capital Monitoring and Investment Committee on 20th May 2021 and Financial Recovery Board on 26th May 2021.

Questions:

1. What is the 2021/22 capital plan and Month 1 actual spend position?
2. What are the main variances in the YTD?

Conclusion:

1. Actual committed capital expenditure was £4.1m in April 2021, representing an underspend of £0.6m against the profiled plan. The full year plan/forecast is £80.3m.
2. The main variances include a £1.4m YTD underspend on the main reconfiguration programme offset by a £0.4m overspend in ICU and £0.3m overspend in EMCHC. The IM&T underspend was discussed at the IM&T Capital sub-group meeting and it was identified that this includes a £0.2m delay on the Digital Workplace scheme; a £0.1m underspend on Data Modernisation due to a re-planned approach to this scheme; and £0.1m of delays with the Cyber Security project. Estates and Facilities variance includes £0.4m additional YTD spend on backlog maintenance and £0.3m on other estates schemes.

Input Sought:

The Finance and Investment Committee is asked to:

- **Note** that the Month 1 capital expenditure is £4.1m
- **Note** the full year plan 2021/22 and forecast of £80.3m

For Reference:

Edit as appropriate:

1. The following objectives were considered when preparing this report:

Safe, high quality, patient centred healthcare	[**Yes** /~~No~~ /~~Not applicable~~]
Effective, integrated emergency care	[~~Yes~~ /~~No~~ /**Not applicable**]
Consistently meeting national access standards	[~~Yes~~ /~~No~~ /**Not applicable**]
Integrated care in partnership with others	[~~Yes~~ /~~No~~ /**Not applicable**]
Enhanced delivery in research, innovation & ed’	[~~Yes~~ /~~No~~ /**Not applicable**]
A caring, professional, engaged workforce	[**Yes** /~~No~~ /~~Not applicable~~]
Clinically sustainable services with excellent facilities	[**Yes** /~~No~~ /~~Not applicable~~]
Financially sustainable NHS organisation	[**Yes** /~~No~~ /~~Not applicable~~]
Enabled by excellent IM&T	[~~Yes~~ /~~No~~ /**Not applicable**]

2. This matter relates to the following governance initiatives:

Organisational Risk Register	[~~Yes~~ /~~No~~ /**Not applicable**]
Board Assurance Framework	[**Yes** /~~No~~ /~~Not applicable~~]

3. Related Patient and Public Involvement actions taken, or to be taken: **Considered but not applicable**

4. Results of any Equality Impact Assessment, relating to this matter: **Considered but not applicable**

5. Scheduled date for the next paper on this topic: FIC 24.6.21

6. Executive Summaries should not exceed 1 page. [**My paper does**/~~does not~~ **comply**]

7. Papers should not exceed 7 pages. [**My paper does**/~~does not~~ **comply**]

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT TO: FINANCE AND INVESTMENT COMMITTEE

DATE: 27TH MAY 2021

REPORT FROM: SIMON LAZARUS – CHIEF FINANCIAL OFFICER
NICK SONE – FINANCIAL CONTROLLER
KAT HERRGOTT-PENTER - SENIOR CAPITAL ACCOUNTANT

SUBJECT: 2021/22 MONTH 1 CAPITAL SPEND AND 2021/22 CAPITAL PLAN

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1. PURPOSE

1.1 This paper presents the Trust's 2021/22 capital programme and Month 1 capital expenditure position, as reported to the Capital Monitoring and Investment Committee on 20th May 2021 and the Financial Recovery Board on 26th May 2021.

2. 2021/22 CAPITAL PLAN

2.1 A summary of the annual capital plan, showing the funding sources for each element of the programme is set out in the table below, as previously reported to the Capital Monitoring and Investment Committee:

Application of funds			Source of funds				
Area	Scheme	Total	Internally funded	PDC	Charitable Funds	Proceeds from asset disposal	Carry forward PDC - EUC
		£'000	£'000	£'000	£'000	£'000	£'000
Reconfiguration	Reconfiguration main programme	33,017	804	22,113		10,100	
	Reconfiguration precommitment - nephrology relocation	1,491	1,491				
	Reconfiguration precommitment - ICU	2,258	2,258				
	Reconfiguration precommitment - EMCHC	2,498	0		2,498		
Total Reconfiguration		**39,264**	**4,553**	**22,113**	**2,498**	**10,100**	**0**
MEE	MEE - precommitment	3,768	3,768				
	MEE Medical Equipment Executive	1,626	1,626				
Total MEE		**5,394**	**5,394**	**0**	**0**	**0**	**0**
MES	MES Replacement	5,400	5,400				
	MES Enabling Costs of MES	1,000	1,000				
Total MES		**6,400**	**6,400**	**0**	**0**	**0**	**0**
IM&T	IM&T eHospital	1,200	1,200				
	eQuip	1,136	1,136				
	IM&T schemes including Sandringham Building Networking Modernisation	5,239	4,639	600			
Total IM&T		**7,575**	**6,975**	**600**	**0**	**0**	**0**
Estates and Facilities	Backlog maintenance	11,144	11,144				
	Estates schemes	8,413	7,591				822
Total Estates and Facilities		**19,557**	**18,735**	**0**	**0**	**0**	**822**
Corporate / other	Optimed	800	800				
	Other medical equipment	194	194				
	Nephrology / PICU scheme	591	591				
	Other Charity funded schemes	500			500		
Total Corporate / Other		**2,085**	**1,585**	**0**	**500**	**0**	**0**
Total Capital Programme		**80,275**	**43,642**	**22,713**	**2,998**	**10,100**	**822**

3. MONTH 1 2021/22 CAPITAL SPEND

3.1 Total Month 1 expenditure for 2021/22 was £4.1m against a plan of £4.7m, representing an underspend against plan of £0.6m. The table also presents the summary financial position of the programme at 30th April 2021.

Area	M1 Budget	M1 Actuals	M1 Variance	Full year Budget 21/22	Full year forecast 21/22
	£000s	£000s	£000s	£000s	£000s
Reconfiguration	3,018	2,273	745	39,264	39,264
Medical Equipment Executive & MES	306	359	(53)	11,794	11,794
IM&T	515	13	501	7,575	7,575
Estates and Facilities	693	1,438	(744)	19,557	19,557
Corporate & Other	167	-	167	2,085	2,085
Total	**4,699**	**4,083**	**616**	**80,275**	**80,275**

3.2 The above variances include the following:

- Following discussions with the Reconfiguration Team, we confirmed a £1.4m YTD underspend on the main Reconfiguration Programme offset by a £0.4m overspend in ICU and £0.3m overspend in EMCHC

- The IM&T underspend was discussed at the IM&T Capital sub-group meeting and it was identified that this includes a £0.2m delay on the Digital Workplace scheme; a £0.1m underspend on Data Modernisation due to a re-planned approach to this scheme; and £0.1m of delays with the Cyber Security project

- Estates and Facilities variance includes £0.4m additional YTD spend on backlog maintenance and £0.3m on other estates schemes

3.3 We will review the phasing of the forecast as part of the work outlined in the next section, and the above variances are expected to be corrected as we progress through the year.

4. CHANGES TO PROPOSED 2021/22 MONTHLY CAPITAL REPORTING PROCESS

4.1 A revised capital reporting timetable has been developed which will take effect from Month 2, which will largely use the existing capital monitoring and forecasting templates, but apply a new timetable to improve timeliness and data quality:

- In month capital reporting – Provisional month end expenditure statements will be issued to project managers earlier than at present, in the week commencing month end closedown (Day 5) to allow managers time to review and advise on accruals required to inform the presentation of up-to-date and accurate month end capital commitments. On return of validated accruals statements (Day 1), these will be compared against the unprocessed invoices report and the net value of accruals (accruals advised by project managers less unprocessed registered invoices) will be accrued in the ledger for inclusion in the month end position

- Capital forecasting - meetings to take place with project managers in the third or fourth week of the month (following the Capital Monitoring & Investment Committee) and preceding month end. These will allow more time to prepare higher quality forecasts for each capital project ahead of month end reporting. The forecasting process will of course be iterative and each month will build on the baseline forecasts of the previous month, taking account of changes in the progress of schemes
- The monthly forecasts will detail the expected expenditure profile to inform cash flow forecasting. Accountability and ownership is key, so the forecasting process will be led by the Senior Capital Accountant working in conjunction with project managers, who will be expected to sign-off the forecasts for their projects. These forecasts will be consolidated to sub-committee level and will be reported to the meetings of the Capital Monitoring & Investment Committee Sub Committees before onward submission to the Capital Monitoring & Investment Committee.

5. RECOMMENDATIONS

5.1 The Finance and Investment Committee is asked to:

- **Note** that the Month 1 capital expenditure is £4.1m
- **Note** the full year plan 2021/22 and forecast of £80.3m

Simon Lazarus
Chief Financial Officer

Nick Sone
Financial Controller

Kat Herrgott-Penter
Senior Capital Accountant

27th May 2021