University Hospitals of Leicester NHS
NHS Trust

Cover report to the Trust Board meeting to be held on 3 May 2018

	Trust Board paper O

Report Title:	Finance and Investment Committee – Committee Chair's Report (formal Minutes will be presented to the next Trust Board meeting)
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Reporting Committee:	Finance and Investment Committee
Chaired by:	Martin Traynor, Non-Executive Director
Lead Executive Director(s):	Paul Traynor, Chief Financial Officer Mark Wightman, Director of Strategy and Communications Darryn Kerr, Director of Estates and Facilities
Date of last meeting:	26 April 2018

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 26 April 2018:-

- ***Matters arising:-***
  - ***Full Business Case for the Relocation of ICU Capacity and Associated Specialties from the LGH Site*** – the Committee noted that the Outline Business Case had now been approved by the National Resources Committee. The FBC was scheduled for submission to the May 2018 FIC meeting;
- ***2017-18 Month 12 Financial Performance*** – paper C advised of a year-end deficit position of £36.6m (£10m adverse to plan), excluding Tranche 1 winter funding, subject to finalisation of the accounts and Audit approval. The Trust had not achieved its Statutory Duty to deliver the planned deficit, due to the impact of cancelling elective activity during Quarter 4 to respond to Winter operational and emergency pressures. Assurance was provided that the analysis data showing the Specialty level impact of cancelled elective activity (based upon month 9 forecasts and actual delivered activity) had been provided to NHS Improvement and this data had been triangulated with the Commissioning plans on a monthly basis.

  The Statutory Duties to achieve the External Funding Limit (EFL) and the Capital Resource Limit (CRL) had both been achieved and the closing cash balance was £2.9m. As required, an amended year-end forecast had been submitted to NHS Improvement (authorised by the Chief Executive, Acting Chairman, Chief Financial Officer and the Audit Committee Chair under delegated Trust Board approval). To date, UHL had not received any negative feedback on this submission which appeared to be consistent with the position of other Acute Providers nationally.

  Discussion took place regarding the factors that had influenced UHL's 2017-18 financial performance and the lessons that could be learned going forwards into the 2018-19 financial year. The Chief Executive briefed the Committee on the scale and longevity of the Winter operational pressures which had significantly exceeded the planned phasing of elective activity. With this in mind, the Trust was changing the activity and capacity modelling process for 2018-19 to avoid a recurrence of this scenario. Other factors which had contributed to the 2017-18 outturn included non-delivery of CIP, delays with the sale of surplus paddock land, and mid-year implementation of the Accountability Framework. The Director of Operational Finance also briefed the Committee on new national guidance concerning the accounting treatment for CQUIN income, advising that some £2.3m was being added to the Trust's deficit and explaining that this would now be treated as 'donated asset income' rather than 'allowable income'. FIC members failed to see the rationale for this change in guidance and expressed their concern accordingly. Assurance was provided that the CQUIN income would be itemised on a separate line within the year-end accounts and that External Audit would be briefed on this point;
- ***Cost Improvement Programme*** – the Director of Efficiency and CIP introduced paper F, providing the monthly CIP progress report, noting year end CIP delivery of £41.506m against the planned £44.153m (an adverse variance of £2.647m). A breakdown of performance by CMG and Corporate Directorate was provided on slide 6. Planning for 2018-19 was progressing well and savings of £20m had already been identified against the £32m target. The next report in May 2018 was expected to include an expanded target of £51m to reflect additional technical financial adjustments, the full year effect of carry-over schemes from 2017-18, theatres demand and capacity, and the Clinical Support enabling workstream. A deep-dive was taking place within the Women's and Children's CMG to support them with identification of schemes that could be delivered within the current

service configuration and to improve the accuracy and quality of their clinical coding and Model Hospital data. A wide-ranging discussion took place regarding opportunities for re-branding UHL's CIP/Productivity Improvement Programme and the Chief Executive was requested to work with the Executive Team to develop proposals in this respect;

- ***Quarterly Update on the Alliance Contract*** – the Alliance Director attended to introduce paper G1, providing the quarterly update on service delivery and key developments in respect of the 2017-18 financial outturn (£196,000 deficit), RTT performance, cancelled operations, DNA (did not attend) rates, sickness absence and staff appraisals. FIC commended the significant progress made in resolving outpatient correspondence delays noting that the number of letters waiting for over 10 days had reduced from 9,000 to 28 and that the longest delay had reduced from 104 days to 11 days. As part of an administrative and clerical review, a generic role had been implemented which increased workforce flexibility and reduced silo working. All letters were now prepared in date order and staff were engaged in improving the service provided. As a result of timely correspondence, medical secretaries were spending less time dealing with enquiries. The Alliance had recently appointed 12 Apprentices, and the feedback so far was positive. Discussion also took place regarding Endoscopy provision, the key risks (as identified in section 5.1 of paper G1), and compatibility between the Alliance IT and telecommunication systems and the UHL platform. Assurance was provided that appropriate IM&T project management support was being provided to address the interface issues and linkages. For 2018-19, the Alliance would be focusing upon reducing the DNA rates and implementation of a SMS text reminder service for patient appointments (which would require a modest level of investment), and
- ***Management of the UHL Pillar in the Alliance*** – paper G2 briefed FIC on the proposed arrangements for transferring the day-to-day management of the UHL pillar activity to UHL's Clinical Support and Imaging CMG with effect from 1 August 2018. This proposal was in line with the original fundamental principles of the Alliance and had been agreed by the LLR Chief Officers in March 2018.

Matters requiring Trust Board consideration and/or approval:

- ***2018-19 Annual Operational Plan (including the Financial Plan for 2018-19)*** – the Chief Financial Officer and the Director of Strategy and Communications introduced paper E, updating the Committee on progress towards completion of the Integrated Business Planning Cycle for 2018-19 and construction of the Annual Operational Plan (AOP) within the context of the wider LLR health economy. Progress had been affected by the delayed planning guidance and late releases of the NHS Mandate for 2018-19. Commissioners had since been instructed to commission emergency care activity on the basis of the 2017-18 outturn plus growth of 1% and UHL had been instructed to set out the monthly phasing for beds/capacity, activity levels, financial position to be sustained and the performance levels genuinely expected to be delivered, highlighting any gaps against the national planning requirements.

  A range of options had been appraised in order to protect elective activity whilst maintaining the increase in emergency flow. The preferred option (option D) was to provide an additional ward each at the LRI and GH for a period of 4 months. Particular discussion took place regarding the proposed use of independent sector providers, and whether this would be directly commissioned within a phased plan going forwards. For example, if 5,500 patients were expected to be treated in the independent sector during the 2018-19 financial year, then it should be feasible to reach agreement with Commissioners without delay and arrange for the first 400 patients to be treated in month 1. Members also considered issues surrounding occupancy levels, length of stay reductions, admissions avoidance, enhanced discharge processes, outlying patients, theatre efficiency, planned theatre maintenance, and opportunities to release UHL surgeons to work in the independent sector during the Winter months.

  The deadline for submission of the 2018-19 AOP to NHS Improvement would be 12noon on Monday 30 April 2018. However, the final detailed workbook would not be available until 11am on 30 April 2018, due to the amount of work involved. It was agreed that a high level narrative containing the broad planning parameters, financial assumptions and performance trajectories would be available by close of business on Friday 27 April 2018. On this basis, FIC provided delegated authority for the Chief Executive, Acting Chairman, Chief Financial Officer, Director of Strategy and Communications, and Audit Committee Chair to approve the final 2018-19 AOP submission, on the understanding that formal Trust Board approval would be sought retrospectively on 3 May 2018.

Matters referred to other Committees:

- ***None.***

Date of next meeting:	24 May 2018