

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

**MINUTES OF AN EXTRAORDINARY MEETING OF THE TRUST BOARD, HELD ON FRIDAY 25 MAY 2018
AT 4PM IN THE BOARD ROOM, VICTORIA BUILDING, LEICESTER ROYAL INFIRMARY**

Voting Members present:

Mr M Traynor – Deputy Chairman (Acting Chairman)
Mr J Adler – Chief Executive
Col (Ret'd) I Crowe – Non-Executive Director
Ms E Doyle – Interim Chief Operating Officer
Mr A Furlong – Medical Director
Mr A Johnson – Non-Executive Director
Ms E Meldrum – Acting Chief Nurse
Mr R Moore – Non-Executive Director
Mr B Patel – Non-Executive Director
Mr P Traynor – Chief Financial Officer

In attendance:

Mr C Benham – Director of Operational Finance
Ms T Jones – Deputy Director of Communications and Engagement
Ms B Kotecha – Acting Joint Director of People and Organisational Development
Mr N Sone – Financial Controller
Ms H Stokes – Corporate and Committee Services Manager
Mr S Ward – Director of Corporate and Legal Affairs
Mr M Wightman – Director of Strategy and Communications

ACTION

140/18 APOLOGIES

Apologies for absence were received from Mr K Singh Trust Chairman, Ms V Bailey Non-Executive Director and Professor P Baker Non-Executive Director.

141/18 DECLARATIONS OF INTERESTS IN THE PUBLIC BUSINESS

There were no declarations of interests in the business being transacted.

142/18 MINUTES AND MATTERS ARISING LOG

Resolved – that the Minutes and matters arising log of the 3 May 2018 Trust Board be submitted to the 7 June 2018 Trust Board.

CCSM

143/18 KEY ISSUES FOR DISCUSSION/DECISION

143/18/1 Draft Annual Report and Annual Accounts 2017-18

Papers A1-A7 were presented for Trust Board consideration and approval as follows:-

- (a) paper A1 - Going Concern Statement 2018-19;
- (b) paper A2 – statutory accounts 2017-18;
- (c) paper A3 – ISA 260 Audit Highlights Memorandum (IT controls and Independent Auditors' report to the Directors of UHL NHS Trust elements);
- (d) paper A4 – section 30 referral letter to the Secretary of State for Health (as, taking 1 year against another over a 3-year rolling period the Trust had not achieved a break-even position as required under section 30 of the Local Audit and Accountability Act 2014);
- (e) paper A5 – Letter of Representation (tabled);
- (f) paper A6 Annual Governance Statement 2017-18, and
- (g) paper A7 – Annual Report 2017-18.

The Audit Committee held earlier on 25 May 2018 had reviewed the above documents in detail, and was recommending them for Trust Board approval. Mr R Moore, Audit Committee Non-Executive Director Chair, tabled and read out a statement in respect of that meeting, noting that very lengthy discussions had taken place regarding the audit findings of the Trust's External Auditor (Grant Thornton). The Audit Committee Non-Executive Director emphasised that External Audit was

providing an unqualified opinion on UHL's annual accounts 2017-18, but had raised a number of issues which had been discussed in detail by the Audit Committee earlier on 25 May 2018. The 3 issues highlighted by External Audit amounted to a cumulative unadjusted mis-statement of £16.2m, and were now identified to the Trust Board as follows by the Audit Committee Non-Executive Director Chair:-

(1) UHL's VAT reclaim following the establishment of the Estates subsidiary

External Audit considered that the accounting treatment adopted by the Trust was incorrect, and that the income should not be accounted for in the 2017-18 financial statements. The statement read out by the Audit Committee Non-Executive Director Chair explained the rationale for External Audit's view on this issue, and noted that External Audit had therefore reported this as an unadjusted mis-statement of £12.5m. Earlier on 25 May 2018, the Chief Financial Officer had therefore obtained further advice from Ernst Young (the Trust's appointed tax advisers on this issue, and in addition to their advice already provided to the Trust) confirming that – in Ernst Young's opinion – the £12.5m income and receivable balances would be rightly recognised in the Trust's 2017-18 financial statements. The Audit Committee was therefore presented with 2 conflicting opinions, one of which was more prudent than the other. Both advisers, however, agreed that the Trust had a realistic prospect of reclaiming the VAT – the specific issue was the timing of the recognition of that reclamation (eg in 1 year or over a number of years).

Audit Committee decision and recommendation to the Trust Board: the Audit Committee Non-Executive Director Chair advised that although the Audit Committee would have preferred to have adopted the more prudent approach, it was willing to recommend the adoption of the proposed alternative approach (of including the full £12.5m in the 2017-18 financial statements) as it fell below the materiality threshold applied by External Audit and had not, therefore, resulted in External Audit qualifying the accounts.

However, the Audit Committee was concerned at the position in which it had found itself, particularly the late point at which these issues had arisen resulting in the Audit Committee not being able to speak directly with Ernst Young. The Audit Committee had therefore asked the Executive Team to take further action to clarify the question of the VAT reclaim and report further to the next Audit Committee meeting. In Trust Board discussion on this matter, Mr B Patel Non-Executive Director (who was not a member of the Audit Committee) commented that it appeared to be a conflict between 2 sets of advice, on which the Audit Committee had been required to take a view.

(2) UHL's debt (particularly aged debt over 180 days old)

The balance of unimpaired debt was approximately £5m and External Audit's sample testing indicated that some of that debt was not collectable – External Audit's extrapolation indicated an unadjusted error of £2.6m.

Audit Committee decision and recommendation to the Trust Board: the Audit Committee had accepted the view of Trust management that more of this debt would be collected than envisaged by External Audit.

However, the Audit Committee had also asked Trust management to undertake a comprehensive assessment of all aged debtors of 180 days or more and provide recommendations (re: recoverability) accordingly to a future 2018 Audit Committee. In Trust Board discussion on this issue, Mr B Patel Non-Executive Director queried whether UHL's Finance and Investment Committee tracked aged debt. The Audit Committee Non-Executive Director Chair advised that the Trust had been concerned about debtors for some years, and also noted his view that 2017-18 was likely to involve some level of debt write-off. In further discussion, the Chief Financial Officer voiced some concerns over External Audit's methodology for calculating the likely level of debt collected, and he emphasised that the Trust was sighted to recoverability issues.

(3) UHL's increase of asset lives by up to 2 years

On the basis of its assessment, the Trust had reduced the depreciation charge in-year by £4.4m – External Audit had reviewed the asset lives for buildings against those provided by the Trust's valuer and had noted that UHL had not followed the advice of its expert; as such, External Audit considered the reduction in depreciation to be an error of £1.1m. The increase in asset lives for other assets was not considered unreasonable by External Audit.

Audit Committee decision and recommendation to the Trust Board: the Audit Committee had accepted the view of Trust management that the depreciation accounting treatment was appropriate in the current circumstances.

However, the Audit Committee had asked the Executive Team to review and propose depreciation policies to be applied from 2018-19, for review by the Audit Committee.

More generally, although recognising the financial pressures facing the Trust the Audit Committee had voiced concern over the level of prudence adopted by Trust management in putting together UHL's financial statements and financial forecast. It had been agreed therefore that this issue would shortly be the subject of further review through UHL's governance mechanisms. This view was echoed by Mr B Patel, Non-Executive Director, who supported the Audit Committee's intention to scrutinise this more closely.

Further to the statement read by the Audit Committee Non-Executive Director Chair, the Director of Corporate and Legal Affairs advised that the 25 May 2018 Audit Committee had also reviewed the draft 2017-18 Annual Report – that document had been endorsed in principle and was therefore recommended for Trust Board approval at this meeting. The final iteration of the 2017-18 Annual Report would be circulated as a Bulletin item for the June 2018 Trust Board.

DSC

Following due consideration, the Trust Board approved papers A1-A7 for the 2017-18 annual accounts and annual report, for signature as detailed below.

CE/CFO

Resolved – that (A) the statutory accounts for the year ending 31 March 2018 be approved and adopted, and the relevant certificates be approved for signature as follows (signatories in brackets):-

- | | |
|--|-----------|
| (1) Statement of Directors' Responsibilities in respect of Internal Control (<i>Chief Executive</i>); | CE |
| (2) Annual Governance Statement 2017-18 (<i>Chief Executive</i>); | CE |
| (3) Directors' Statements – Statement of the Chief Executive's responsibilities as the Accountable Officer of the Trust (<i>Chief Executive</i>) and Statement of Directors' Responsibilities in respect of the accounts (<i>Chief Executive and Chief Financial Officer</i>); | CE
CFO |
| (4) Statement of Financial Position (<i>Chief Executive</i>); | CE |
| (5) Letter of Representation (<i>Chief Executive</i>), and | CE |

(B) the Annual Report 2017-18 be approved, noting that the final iteration would be circulated as part of the June 2018 Trust Board Bulletin papers.

DSC

144/18 ANY OTHER BUSINESS

There were no items of any other business.

145/18 DATE OF NEXT TRUST BOARD MEETING

Resolved – that the next Trust Board meeting be held on Thursday 7 June 2018 from 9am in Rooms A&B, Clinical Education Centre, Leicester General Hospital.

The meeting closed at 4.17pm

Helen Stokes – Corporate and Committee Services Manager

Trust Board Paper A1

Cumulative Record of Attendance (2018-19 to date):

Name	Possible	Actual	% attendance	Name	Possible	Actual	% attendance
K Singh	3	1	33	A Johnson	3	3	100
J Adler	3	3	100	E Meldrum	2	2	100
V Bailey	3	2	67	R Moore	3	3	100
P Baker	3	2	67	B Patel	3	3	100
I Crowe	3	3	100	J Smith	1	1	100
E Doyle	3	3	100	M Traynor	3	3	100
A Furlong	3	2	67	P Traynor	3	3	100

Voting Members:

Non-Voting Members:

Name	Possible	Actual	% attendance	Name	Possible	Actual	% attendance
B Kotecha/ J Tyler-Fantom	2	2	100	S Ward	3	3	100
L Tibbert	1	1	100	M Wightman	3	3	100