

Trust Board paper P3

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 7 June 2018

COMMITTEE: Finance and Investment Committee

CHAIR: Mr M Traynor, Non-Executive Director and FIC Chair

DATE OF COMMITTEE MEETING: 26 April 2018

RECOMMENDATIONS MADE BY THE COMMITTEE FOR CONSIDERATION BY THE PUBLIC TRUST BOARD:

- **Minute 21/18 – 2018-19 Annual Operational Plan (including the 2018-19 Financial Plan) and the recommendation to seek delegated Trust Board approval to submit the final version to NHS Improvement on 30 April 2018.**

OTHER KEY ISSUES IDENTIFIED BY THE COMMITTEE FOR CONSIDERATION/ RESOLUTION BY THE PUBLIC TRUST BOARD:

- **Minute 26/18/1 – 2017-18 Month 12 Financial Performance, and**
- **Minute 27/18/1 – Quarterly Update on the Alliance Contract and future management of the UHL Pillar.**

DATE OF NEXT COMMITTEE MEETING: 24 May 2018

Mr M Traynor, Non-Executive Director and FIC Chair

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

MINUTES OF A MEETING OF THE FINANCE AND INVESTMENT COMMITTEE (FIC), HELD ON THURSDAY 26 APRIL 2018 AT 8:30AM IN THE BOARD ROOM, VICTORIA BUILDING, LEICESTER ROYAL INFIRMARY

Voting Members Present:

Mr M Traynor – Non-Executive Director (Committee Chair)
Mr J Adler – Chief Executive
Ms E Doyle – Interim Chief Operating Officer (excluding Minutes 23/18 to 26/18/1)
Mr A Johnson – Non-Executive Director
Mr R Moore – Non-Executive Director
Mr P Traynor – Chief Financial Officer

In Attendance:

Mr C Benham – Director of Operational Finance
Mr D Kerr – Director of Estates and Facilities
Ms H Mather – Alliance Director (for Minute 27/18/1 only)
Mr W Monaghan – Director of Performance and Information (excluding Minutes 23/18 to 26/18/1)
Mrs K Rayns – Corporate and Committee Services Officer
Mr B Shaw – Director of Efficiency and CIP (for Minute 26/18/3 only)
Mr N Sone – Financial Controller (up to and including Minute 26/18/2)
Ms R Vyas – Head of Strategic Development (for Minute 21/18)
Mr M Webster – Head of Estates and Property (for Minute 22/18)
Mr M Wightman – Director of Strategy and Communications

RECOMMENDED ITEMS

ACTION

21/18 2018-19 ANNUAL OPERATIONAL PLAN (INCLUDING THE 2018-19 FINANCIAL PLAN)

Further to Minute 15/18/4 of 22 March 2018, 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 release 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.

The Director of Performance and Information briefed the Committee on changes to the capacity modelling process, noting that previous modelling had been based on the size of the bed deficit, whereas the 2018-19 modelling was being undertaken on the basis that all emergency patients would be provided with a bed by 12 midnight and that any elective admissions would be displaced where necessary. This reflected a fundamental switch within the planning process, which (in turn) would require a realistic and mature dialogue with Commissioners in terms of the 18 week referral to treatment target and the arrangements for managing elective waiting lists going forwards. The Chief Executive commented upon the need to create an empty ward within the Balmoral building at the LRI, which could be used as a decant ward to progress ward refurbishment works during normal levels of activity, but which could also be used as an escalation ward at short notice during periods of high emergency activity. In order to staff this escalation ward, and to prevent any quality and safety issues from developing, a pre-identified substantive team would be sourced from other wards and their individual roles would be back-filled using bank and agency staffing where necessary.

A range of options had been appraised in order to protect the level of elective activity whilst

maintaining the increase in emergency flow, and each of these options had been risk-assessed accordingly. 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 an agreement with Commissioners without delay and arrange for the first 400 patients to be treated in month 1 (April 2018). FIC members noted that an agreement in principle was required urgently at Chief Executive Officer level, to establish the phasing of independent sector activity and avoid any back-tracking in future months.

CE

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 Director of Performance and Information advised that under the new arrangements, some patients might still be outlied into other wards in order to maintain capacity and patient flows on the base wards.

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.

CE/AC/
CFO/
DSC/AC
Chair

The Chief Financial Officer re-iterated that the Trust would not be signing up to the control total for 2018-19 and that this would be confirmed in the submission on 30 April 2018. The Chief Executive and the Chief Financial Officer undertook to send a letter to Mr Dale Bywater at NHS Improvement, setting out the reasons why the Trust would not be signing up to its control total for the second successive year and providing a strong narrative on the change of approach to demand and capacity planning.

CFO

Recommended – that (A) the Chief Executive be requested to pursue an agreement in principle with the CCG Chief Executives re: the phasing of independent sector elective activity for 2018-19;

CE

(B) delegated Trust Board approval be sought for the Chief Executive, Acting Chairman, Chief Financial Officer, Director of Strategy and Communications and Audit Committee Chair to sign off the final 2018-19 Annual Operational Plan submission to NHS Improvement on 30 April 2018, and

CE/AC/
CFO/
DSC/AC
Chair

(C) the Chief Executive and the Chief Financial Officer be requested to send a letter to NHS Improvement, setting out the reasons for UHL not signing up to the control total for 2018-19.

CE/CFO

22/18 **CONFIDENTIAL REPORT BY THE DIRECTOR OF ESTATES AND FACILITIES AND THE CHIEF FINANCIAL OFFICER**

Recommended – that this Minute be classed as confidential and taken in private accordingly on the grounds that public consideration at this stage would be prejudicial to the effective conduct of public affairs.

RESOLVED ITEMS

23/18 **APOLOGIES**

Apologies for absence were received from Mr K Singh, Trust Chairman, and Mr K Allan, Patient Partner.

Resolved – that the apologies for absence be noted.

24/18 MINUTES

Resolved – that the Minutes of the Finance and Investment Committee (FIC) meeting held on 22 March 2018 (papers A1 and A2) be confirmed as correct records.

25/18 MATTERS ARISING

Paper B detailed the status of all matters arising from the 22 March 2018 FIC meeting and any outstanding matters arising from previous FIC and Integrated Finance, Performance and Investment Committee (IFPIC) meetings. During a page-by-page review, progress reports were provided against the following items:-

- (a) ***item 14 (Minute 5/18/2b of 22 February 2018 refers)*** – a discussion on the wider aspects of the Trust's Commercial Strategy was provisionally scheduled on the agenda for the Trust Board thinking day to be held on 10 May 2018;
- (b) ***item 21 (Minute 27/17/2c of 30 November 2017 refers)*** – the development of the Communications and OD Strategy for the Pathology Network was contingent upon the final solution for the Network's structure and organisational form. The Director of Strategy and Communications advised that this workstream would be an integral part of the Pathology Network development going forwards and no further tracking of this action was required by FIC, and
- (c) ***item 23 (Minute 12/17b of 26 October 2017 refers)*** – the outline business case for the relocation of ICU capacity and associated specialties from the LGH site had now been approved by the National Resources Committee and the full business case was now provisionally scheduled for internal UHL approval at the May 2018 FIC and June 2018 Trust Board meetings.

Resolved – that the matters arising report and any associated actions above, be noted.

26/18 FINANCE AND PLANNING

26/18/1 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. The Chief Financial Officer provided his view that the Trust would have delivered its planned deficit had it not been required to cancel such a significant volume of elective activity during January and February 2018. The unplanned financial adverse variance of between £8m and £10m had been evidenced by robust analysis data showing the Specialty level impact of cancelled elective activity (based upon month 9 forecasts and the actual delivered activity). Assurance was provided that this information had been shared with NHS Improvement and that they had triangulated UHL's data 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 financial outturn included non-delivery of CIP targets, delays with the sale of surplus paddock land, and mid-year implementation of the Accountability Framework, the mechanism for monitoring performance of the CMGs and Corporate Directorates and holding them to account to deliver their financial and operational targets.

In response to a query from the Committee Chair, the Director of Operational Finance briefed the Committee on presentational issues reflected by the planned technical adjustments which included a re-classification of some elements of 'other operating income' and 'non-pay costs' (as detailed on slide 4 of paper C). Mr A Johnson, Non-Executive Director noted that such movements were typical within any organisation's end of year profit and loss statement, but it was important to provide a high level narrative to explain them within the commentary on the accounts.

CFO

Mr A Johnson, Non-Executive Director queried whether the quantum of any Finance Improvement and Technical (FIT) requirements for 2018-19 had yet been established, noting in response that the 2018-19 Financial Plan was still being finalised as a result of the late planning guidance. Once the emergency and elective capacity assumptions had been worked through, then the performance trajectories, workforce plans and financial modelling would be completed. Assurance was provided that appropriate clarity would be included in relation to any FIT actions for 2018-19 within the Financial Plan.

CFO

Particular discussion took place regarding pay expenditure, run-rates and the process for controlling substantive and temporary staffing costs going forwards into the 2018-19 financial year. The Chief Financial Officer briefed the Committee on the requirements to re-focus and re-energise the Cost Improvement Programme (which was not sufficiently influencing the biggest areas of expenditure) to ensure that appropriate targets were set and that the detailed business plans were understood, accepted and delivered by each of the 7 CMGs through the Accountability Framework.

Finally, the Director of Operational Finance 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 particular aspect of the accounts. In response to a query from Mr A Johnson, Non-Executive Director, it was noted that the change in guidance relating to CQUIN income was not expected to impact upon the financial position for 2018-19.

CFO

Resolved – that (A) the Month 12 Financial Performance report be received and noted as paper C, and

(B) the Chief Financial Officer be requested to:-

CFO

(1) provide clarity within the 2017-18 accounts narrative in relation to the presentation of planned year-end technical adjustments (including the re-classification of some elements of 'other operating income');

CFO

(2) provide appropriate clarity within the 2018-19 Financial Plan in relation to the quantum of any Financial Improvement and Technical (FIT) assumptions contained

therein, and

(3) arrange for CQUIN income to be captured in a separate accounting line within the 2017-18 annual accounts (to reflect the new guidance) and ensure that the External Auditors were briefed on this point.

CFO

26/18/2 Confidential Report by the Chief Financial Officer

Resolved – that this Minute be classed as confidential and taken in private accordingly on the grounds that public consideration at this stage would be prejudicial to the effective conduct of public affairs.

26/18/3 Cost Improvement Programme (CIP)

The Director of Efficiency and CIP attended the meeting to present paper F, providing the monthly CIP progress report, noting in-month delivery of £5.1m savings compared with the planned £5.9m. CIP delivery for the 2017-18 financial year stood at £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.

CIP 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 would be presented in a different structure and it 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 improvements, and the Clinical Support enabling workstream. The workstream being undertaken by Four Eyes Consultancy had not been progressing as planned due to the volume of elective cancellations in recent months. However, a renewed focus would be delivered during the coming months and the expected targets would be included in the next month's report.

A deep-dive was taking place within the Women's and Children's CMG to support them with identification of additional schemes that could be delivered within the current service configuration, and within the context of the target midwife to birth ratio. Work was also underway to strengthen the accuracy and quality of their clinical coding and their PLICS and Model Hospital data. Assurance was provided that the right team was in place with the right skills and back-office support to turn around the position.

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. The Director of Strategy and Communications commented upon the scope to change the focus of the CIP programme from cost avoidance schemes towards more profitable services and income generation schemes. He noted that the traditional approach towards reducing costs within the business as usual framework might achieve savings of 2% or 3%, but complete transformation of services were sometimes necessary in order to deliver greater efficiency savings.

CE

The Chief Executive provided some feedback on the Get It Right First Time (GIRFT) pilot visit in Endocrinology, noting a tendency for the GIRFT programme to be harnessed as a mechanism for seeking additional resources instead of delivering genuine improvements in service delivery. The Director of Efficiency and CIP undertook to share this feedback within the relevant GIRFT forum.

DECIP

Further to Minute 15/18/3 of 22 March 2018, the Director of Estates and Facilities reiterated his request that further consideration be given to the mechanism for capturing and demonstrating Estates and Facilities Management cost improvements in future, ie whether to capture efficiency savings as traditional CIP or whether to build them into the Service Level Agreements for the proposed LLR Healthcare Facilities Management Partnership. Members noted that this workstream already featured in the matters arising/actions log

from 22 March 2018.

Mr A Johnson, Non-Executive Director commented that he would expect to see comparative Model Hospital data being used within the monthly CIP report. In response, the Director of Efficiency and CIP provided assurance that all of the CMGs used the Model Hospital data within their planning processes and that monthly productivity measures were being developed locally for the CMGs going forwards.

Resolved – that (A) the report on progress with the Trust’s Cost Improvement Programme be received and noted as paper F, and

(B) the Chief Executive be requested to work with the Executive Team to develop proposals for re-branding UHL’s CIP/Productivity Improvement Programme, and

CEO

(C) the Director of Efficiency and CIP be requested to share feedback on the GIRFT Programme within the relevant forum.

DECIP

27/18 STRATEGIC ISSUES

27/18/1 Alliance Contract – Quarterly Update and Future Management of the UHL Pillar

Ms H Mather, 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 that had been 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 (encompassing Bands 2, 3 and 4) which had increased workforce flexibility and reduced silo working. All letters were now prepared in date order and staff were fully engaged in improving the service provided. As a result of more timely production of correspondence, medical secretaries were spending significantly less time dealing with enquiries. The Alliance had recently appointed 12 Apprentices, and the feedback so far was positive.

The Director of Performance and Information briefed the Committee on an impressive presentation at the Alliance Leadership Board on the administrative re-design process and he commented upon opportunities to deliver similar internal improvements at UHL (linked to the roll-out of the new digital dictation system) as part of a wider process review.

Discussion took place regarding Endoscopy provision, the key operational risks surrounding the condition of the estate at Hinckley and District Hospital, community Paediatric service delivery, decontamination facilities, blood results for patients taking DMARDS and diathermy equipment (as identified in section 5.1 of paper G1). Section 8.4 of paper G set out the 6 key strategic risks which had been agreed by the Alliance Leadership Board. Members discussed risk PR6 which highlighted the compatibility issues 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).

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.

Resolved – that the quarterly update on the Alliance contract and the future

management of the UHL Pillar be received and noted as papers G1 and G2 (respectively).

27/18/2 Update on the Commercial Strategy

As discussed under the matters arising report (Minute 25/18(a) above), a discussion on the Trust's wider Commercial Strategy had been provisionally scheduled for the Trust Board thinking day to be held on 10 May 2018.

Resolved – that the information be noted.

27/18/3 Confidential Report by the Chief Financial Officer

Resolved – that this Minute be classed as confidential and taken in private accordingly on the grounds that public consideration at this stage would be prejudicial to the effective conduct of public affairs.

28/18 **SCRUTINY AND INFORMATION**

28/18/1 Updated Timetable for UHL Business Case Approvals

Resolved – that the update on the timetable for UHL Business Case Approvals be received and noted as paper J.

28/18/2 Finance and Investment Committee Calendar of Business 2018-19

Resolved – that the FIC calendar of business for 2018-19 be received and noted as paper K.

28/18/3 Executive Performance Board

Resolved – that the notes of the 20 March 2018 Executive Performance Board meeting be received and noted as paper L.

28/18/4 Capital Monitoring and Investment Committee

Resolved – that the draft notes of the 26 March 2018 Capital Monitoring and Investment Committee meeting be received and noted as paper M.

28/18/5 Revenue Investment Committee

Resolved – that the notes of the 19 March 2018 Revenue Investment Committee meeting be received and noted as paper N.

29/18 **ANY OTHER BUSINESS**

Resolved – that no items of other business were noted.

30/18 **ITEMS TO BE HIGHLIGHTED TO THE TRUST BOARD**

Resolved – that (A) a summary of the business considered at this meeting be presented to the Trust Board meeting on 3 May 2018, and

CCSO/
Chair

(B) the following items be particularly highlighted for the Trust Board's attention:-

- Minute 21/18 – 2018-19 Annual Operational Plan (and the recommendation to seek delegated Trust Board approval to submit the final version to NHS Improvement on 30 April 2018);
- Minute 26/18/1 – 2017-18 Month 12 Financial Performance, and

- Minute 27/18/1 – Quarterly update on the Alliance contract and future management of the UHL Pillar.

31/18 DATE OF NEXT MEETING

Resolved – that the next meeting of the Finance and Investment Committee be held on Thursday 24 May 2018 from 8.30am to 11am in the Board Room, Victoria Building, Leicester Royal Infirmary.

The meeting closed at 10:55am

Kate Rayns,
Corporate and Committee Services Officer

FIC Attendance Record 2018-19

Voting Members:

Name	Possible	Actual	% attendance	Name	Possible	Actual	% attendance
M Traynor (Chair)	1	1	100	R Moore	1	1	100
J Adler	1	1	100	K Singh (Ex-officio)	1	0	0
E Doyle	1	1	100	P Traynor	1	1	100
A Johnson	1	1	100				

Non-Voting Members:

Name	Possible	Actual	% attendance	Name	Possible	Actual	% attendance
K Allan (Patient Partner)	1	0	0	D Kerr	1	1	100
C Benham	1	1	100	M Wightman	1	1	100