

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 28 March 2013

COMMITTEE: Finance and Performance Committee

CHAIRMAN: Mr I Reid, Non-Executive Director

DATE OF COMMITTEE MEETING: 30 January 2013

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

None

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

- 2013-14 Cost Improvement Programme (Minute 5/13/1 refers), and
- 2013-14 Acute Contract Negotiations Update (Minute 5/13/3 refers).

DATE OF NEXT COMMITTEE MEETING: 27 February 2013

Mr I Reid
22 March 2013

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

**MINUTES OF A MEETING OF THE FINANCE AND PERFORMANCE COMMITTEE, HELD ON
WEDNESDAY 30 JANUARY 2013 AT 9.15AM IN SEMINAR ROOMS A & B, CLINICAL
EDUCATION CENTRE, LEICESTER GENERAL HOSPITAL**

Present:

Mr I Reid – Non-Executive Director (Committee Chair)
Mr J Adler – Chief Executive
Mr R Kilner – Non-Executive Director
Mr A Seddon – Director of Finance and Business Services
Mr G Smith – Patient Adviser (non-voting member)
Mrs J Wilson – Non-Executive Director

In Attendance:

Mr S Leivers – Interim Director of Service Improvement (from part of Minute 4/13/1 to Minute 5/13/1 inclusive)
Mrs K Rayns – Trust Administrator
Mr S Sheppard – Deputy Director of Finance and Procurement
Mr J Tozer – Interim Director of Operations (from part of Minute 4/13/1)

ACTION

RESOLVED ITEMS

1/13 APOLOGIES

There were no apologies for absence.

2/13 MINUTES

Resolved – that the Minutes of the Finance and Performance Committee held on 28 November 2012 (papers A and A1) be confirmed as a correct record.

3/13 MATTERS ARISING

3/13/1 Matters Arising Report

The following items were noted in respect of the matters arising report at paper B:-

- (a) Minute 159/12(b) – an appropriate coaching mechanism was currently in place for the Head of Lean and Service Improvements but the Director of Finance and Business Services would consider seeking a mentor from the private sector (if appropriate) once the present coaching arrangements had concluded;
- (b) Minute 159/12(c) – proposals for Executive Director membership of the Finance and Performance Committee would be presented to the Trust Board on 31 January 2013. The proposed Executive Director membership would consist of the Chief Executive (voting), the Director of Finance and Business Services (voting) and the Interim Director of Operations (non-voting) with other Executive Directors being invited to attend for relevant items of business. Subject to ratification by the Trust Board, the amended terms of reference and membership would be presented to the Finance and Performance Committee on 27 February 2013;
- (c) the Director of Finance and Business Services advised that he had not been able to attend a meeting with the University of Leicester on 28 January 2013, but he had met with the University's Director of Finance in December 2012 and discussions were progressing towards establishing the baseline for a transparent business footing relating to "landlord"

DFBS

DCLA

elements of the Trust's relationship with the University. A further update on this work would be provided to the Committee on 27 March 2013, and
(d) the Chief Executive commented upon opportunities to present the Finance and Performance Committee matters arising report in an alternative format and undertook to discuss this further with the Director of Corporate and Legal Affairs outside the meeting.

DFBS

CE/
DCLA

Resolved – that (A) the matters arising report and any associated actions above, be noted, and

(B) subject to ratification of the proposed changes to Executive Director membership of the Finance and Performance Committee, the revised terms of reference be presented to the Committee on 27 February 2013.

3/13/2 Divisional Financial Expertise and Supporting Resources

The Committee Chairman noted from the Trust Board matters arising report that the Finance and Performance Committee was due to receive an update on the arrangements to strengthen Divisional financial expertise and supporting resources (paper B for the 31 January 2013 Trust Board meeting refers). The Deputy Director of Finance and Procurement reported verbally on the structural changes planned as part of the Divisional restructure, noting the current level of satisfaction relating to the Divisional Finance and Performance Manager level. However, requirements for additional financial capacity and capability had been identified at Service Manager level, particularly to support the Planned Care Division, theatre improvement work and drive through progress with CIP schemes.

DFBS

In discussion, Mr R Kilner, Non-Executive Director commented that the Non-Executive Directors were currently unsighted to the detailed proposals for the Divisional restructure, whether a risk assessment had been undertaken for such a major organisational change, what level of assurance had been received and when the changes were to be implemented. In response, the Chief Executive advised that the new Divisional structure would be implemented in shadow form from 1 February 2013 and that the budgets would be transferred over on 1 April 2013, at which point the new structure would become live. The Interim Director of Operations was due to report further on this matter at the 31 January 2013 Trust Board meeting.

IDO

Resolved – that the update on the arrangements for strengthening Divisional financial expertise and supporting resources be noted.

4/13 **2012-13**

4/13/1 Report by the Director of Finance and Business Services

Resolved – that this item be classed as confidential and taken in private accordingly.

4/13/2 Report by the Director of Finance and Business Services

Resolved – that this item be classed as confidential and taken in private accordingly.

4/13/3 2012-13 Cost Improvement Programme Update

The Director of Service Improvement attended the meeting to present paper E, a summary of 2012-13 CIP performance as at the end of December 2012, noting that 85% (or £27.1m) of the £32m target was currently forecast to be delivered by the financial year end, leaving a potential shortfall of £4.9m. The Director of Service improvement also briefed the Committee on additional potential savings schemes (with a total of approximately £3m) to be built into

DSI

Divisional forecasts (focusing on medical agency, coding support, capitalisation of Serco fees and procurement schemes).

The Committee Chairman sought assurance that CIP schemes were appropriately owned by the Divisions, fully reflected in their forecast positions and correlated into all appropriate information flows. In response, the Deputy Director of Finance and Procurement reported on the arrangements to hold Divisions to account via the fortnightly CIP meetings, the submission of CIP progress reports to the Executive Team on a weekly basis and the deadline for submission of fully compliant CIP plans to the Executive Team on 5 February 2013. Discussion took place regarding the performance management mechanism for any non-compliant CIP plans to be presented to the CIP Programme Board (which met on a fortnightly basis). The Chief Executive confirmed that the CIP monitoring process appeared to be sufficiently robust but he voiced concern that the timetable was extremely tight to deliver the full target by 31 March 2013. The Committee also considered the following key points:-

- | | |
|---|--------------|
| (a) proposed improvements in the timescale and process for 2013-14 CIP planning; | DFBS/
DSI |
| (b) opportunities to bring forward proposals for paperless records management; | |
| (c) arrangements to increase the Committee's oversight of broader cross-cutting and Corporate-led transformation schemes (eg outpatients, transcription and theatres). A report on progress against these schemes was requested for the next meeting; | DSI |
| (d) proposals for additional project management resources for theatre improvement work streams which were due to be presented to the Executive Team; | IDO |
| (e) monitoring arrangements for tracking the total headcount reductions arising from specific schemes. It was agreed that the previous system for monitoring monthly reductions in headcount by CBU, Division and Corporate Directorate would be re-introduced; | DFBS/
DHR |
| (f) counting and coding changes currently being discussed with Commissioners, and | |
| (g) the arrangements for CBU and Divisional budgets to be credited in line with their CIP performance and the need for Divisions to deliver an appropriately balanced year end financial position in addition to delivery of their full CIP allocation supported by robust quality and safety impact assessments. | |

The Director of Finance and Business Services advised that the previous tensions surrounding internal trading had been removed within the Divisional structure by moving the relevant services to the main service users. Members noted that CIP delivery would continue to be a crucial measure of a Trust's performance by Monitor, accepting that in year adjustments and development of mitigating schemes would continue to be required in some cases.

Resolved – that (A) the 2012-13 CIP update (paper E) be received and noted;

- | | |
|---|--------------|
| (B) additional CIP schemes identified by the Director of Service Improvement (totalling approximately £3m) be clarified and built into the Divisional forecasts; | DFBS/
DSI |
| (C) fully compliant CIP plans to be presented to the Executive Team on 5 February 2013; | DFBS/
DSI |
| (D) scope to bring forward plans for electronic patient records to be explored; | DSI |
| (E) total number and breakdown of headcount reductions achieved to be tracked on a monthly basis; | DFBS/
DHR |
| (F) progress report on cross-Divisional transformation schemes to be presented to the Finance and Performance Committee on 27 February 2013, and | DFBS/
DSI |
| (G) proposals for external project resources to support theatre improvements be | IDO |

presented to the Executive Team.

5/13/1 2013-14

5/13/1 2013-14 Cost Improvement Programme

Paper I detailed the approach for setting the 2013-14 CIP targets and provided the differential targets set for each CBU and Corporate Directorate based upon current year CBU level service line reporting performance. Following guidance received from the NHS Trust Development Agency, the final 2013-14 CIP target for UHL was noted to be £40.4m. The Director of Service Improvement reported verbally on elements of challenge raised by Diagnostic Services, and some positive feedback received from the Acute Care Division and from Paediatric Services.

The Committee Chairman queried the arrangements for assessing CIP scheme inter-dependencies, such as the impact of delayed discharges on planned bed reductions, and noted in response that such dependencies would be taken into account within the deliverability rating for each scheme and mitigation plans would be prepared in advance (eg use of third party organisations to support delayed discharges). The Director of Service Improvement also suggested that additional home visits to particular cohorts of patients (who were frequently admitted to hospital) were being explored as part of the work to reduce the number of avoidable admissions.

Mr R Kilner, Non-Executive Director queried the scope to define specific CIP targets in relation to research and teaching and whether it would be feasible to separate the funding and management structure for outpatient services. In response, it was noted that all Divisions would be exploring research and teaching schemes within their CIP plans and that attempts by other organisations to separate outpatient services had not been successful. Other opportunities to maximise efficiencies within outpatient services were being explored however, including an investigation of the unusual practice of separating teaching and non-teaching OPD lists.

Members discussed the arrangements for determining the CIP contribution required from pathology services where further clarity was expected once the revised Empath business plan was finalised and presented to the 28 March 2013 Trust Board. The Director of Service Improvement noted a perception that UHL was not able to control the levels of growth in direct access diagnostic and pathology testing, although Imperial College Healthcare NHS Trust had been successful recently in managing growth in direct access pathology tests at below 3%. The Director of Finance and Business Services undertook to facilitate a conversation with both the UHL and NUH hosts regarding management of direct access pathology demand.

DFBS

Mr G Smith, Patient Adviser, queried when CIP plans for 2014-15 were likely to be presented to the Trust Board and noted (in response) the ongoing process to provide monthly update reports to the Committee on the development of detailed CIP plans for the next 2 years and outline CIP plans for the subsequent 3 years (as required for UHL's Foundation Trust application).

**DFBS/
DSI**

Resolved – that (A) the contents of paper I be received and noted;

(B) the Director of Finance and Business Services be requested to sight the Empath host Trusts of the arrangements in place at Imperial College Healthcare NHS Trust to manage growth in demand for direct access pathology tests, and

DFBS

(C) updates on the 2013-14 CIP plans and the process to develop 2 year granular plans and 3 year outline plans be presented to the Finance and Performance Committee on a

**DFBS/
DSI**

monthly basis.

5/13/2 Draft Annual Operational Plan 2013-14

The Director of Finance and Business Services introduced a briefing paper and update on the status of the 2013-14 Annual Operational Plan (paper F refers), advising that UHL had already submitted the first draft 2013-14 AOP to the TDA on 25 January 2013 (as required) and the second draft was due to be submitted on 28 February 2013. The financial summary and high level financial presentation slides were appended to paper F. In discussion on the report, Finance and Performance Committee members particularly noted:-

- (a) a slightly improved position relating to the estimated SIFT reduction;
- (b) the range of expected additional employer contributions to revised pension arrangements;
- (c) that it would be prudent for the Director of Finance and Business Services to seek further advice from the Director of Human Resources regarding a potential pay increase (of up to 1%) and whether this should be built into the financial plan as a contingency measure;
- (d) expected cost inflation relating to the Clinical Negligence Scheme for Trusts (CNST) premium. Members discussed the ability for Foundation Trusts to withdraw from the scheme and the associated risks surrounding high level maternity compensation claims, and opportunities to increase the £1m maximum limit on cover for fire insurance, and
- (e) the baseline for budget setting and pay forecasts in 2013-14 and the arrangements in place for testing recruitment efforts. Mr R Kilner, Non-Executive Director queried whether enhanced relocation premiums were being considered as an incentive to attract new staff to UHL in areas where recruitment was proving challenging.

**DFBS/
DHR**

Resolved – that (A) the status on the 2013-14 draft Annual Operational Plan (paper F) be received and noted, and

(B) the Director of Finance and Business Services be requested to seek a view from the Director of Human Resources regarding a potential requirement to build a pay uplift into the financial plan.

**DFBS/
DHR**

5/13/3 2013-14 Acute Contract Negotiations Update

Further to Minute 163/12 of 28 November 2012, paper G provided a further update on the progress of the 2013-14 contract negotiations for the Acute Services Contract. In respect of the arrangements for reviewing and agreeing counting and coding changes with Commissioners, the Director of Finance and Business Services provided assurance that a timetable for the process had now been established. First cut activity plans were being exchanged at activity and capacity events being held on 30 and 31 January 2013 and there were good levels of engagement by UHL's CBU and Divisional teams.

Mr R Kilner, Non-Executive Director queried the arrangements for sharing QIPP and demand management plans and the Director of Finance and Business Services re-iterated the need for an open book approach relating to QIPP, Better Care Together and the McKinsey work being undertaken currently. The Director of Finance and Business Services was requested to share these outputs with Finance and Performance Committee members when possible. The Chief Executive queried why counting and coding changes were required once the Heads of Terms stage had been completed and noted (in response) that these sometimes related to delays in implementing the tariff for locally agreed pathway changes over and above the originally agreed envelope assumptions.

DFBS

Resolved – that (A) the contents of paper G be received and noted,

(B) the interim position relating to the Heads of Terms be presented to the Finance and

Performance Committee on 27 February 2013, and

DFBS

(C) the Director of Finance and Business Services be requested to share the outputs from QIPP and Better Care Together work (being undertaken by McKinsey) with Finance and Performance Committee members (as appropriate).

DFBS

5/13/4 FT Application and Integrated Business Planning Process/LTFM

Paper H provided a copy of the progress report presented to the FT Programme Board on 22 January 2013. The Director of Finance and Business Services reported on the Historical Due Diligence 1 (HDD1) process being undertaken by Ernst and Young, which was currently progressing according to plan. Further consideration of UHL's progress against the FT application timeline was due to take place at the 31 January 2013 Trust Board meeting.

Resolved – that the contents of paper H be received and noted.

5/13/5 Horizon Scanning

The Director of Finance and Business Services introduced paper J, which provided a brief summary of key emerging developments which might impact upon UHL's financial regime. Members noted that the Director of Corporate and Legal Affairs was currently conducting a review of the process for co-ordinated horizon scanning through the Trust Board Sub-Committee structure to strengthen the arrangements for UHL to respond to key changes in the regulatory or commercial environment. Members considered the expected implications of the Francis Inquiry into events at the Mid Staffordshire NHS Foundation Trust and how Government funding might be affected, market share opportunities for UHL and the arrangements for increasing private sector providers.

Resolved – that the contents of paper J be received and noted.

6/13 **UPDATE ON COMMUNITY ELECTIVE ACTIVITY TENDER**

Further to Minute 164/12 of 28 November 2012, the Director of Finance and Business Services updated members on the elective care tender initiated by East Leicester CCG, which (as previously reported) had been formally suspended to allow for development of arrangements for more collaborative working. Members agreed that the Better Care Together Programme would be the appropriate vehicle for taking forward this work (once it restarted).

Discussion also took place regarding the provider arrangements for the Urgent Care Centre where the contract with the George Eliot NHSTrust had been extended for a further 12 month period. A new tender process was expected to commence in July 2013 or thereabouts.

Resolved – that the verbal information on the community elective activity and urgent care centre tenders be received and noted.

7/13 **MINUTES FOR INFORMATION**

7/13/1 Confirm and Challenge Meetings

Resolved – that the notes of the 21 November and 19 December 2012 Confirm and Challenge meetings (papers K and K1) be received and noted.

7/13/2 Governance and Risk Management Committee

Resolved – that the Minutes of the 26 November 2012 GRMC meeting (papers L and L1)

be received and noted.

8/13 ITEMS FOR DISCUSSION AT THE NEXT FINANCE AND PERFORMANCE COMMITTEE

Resolved – that the items for consideration at the Finance and Performance Committee meeting on 27 February 2013 be noted.

9/13 ITEMS TO BE HIGHLIGHTED TO THE TRUST BOARD

Resolved – that the issues in Minutes 4/13/2, 5/13/1 and 5/13/3 be highlighted verbally to the public Trust Board meeting on 31 January 2013.

**FPC
CHAIR**

10/13 ANY OTHER BUSINESS

There were no items of any other business.

11/13 DATE OF NEXT MEETING

Resolved – that the next Finance and Performance Committee be held on Wednesday 27 February 2013 from 9.15am – 12.15pm in the C J Bond Room, Clinical Education Centre, Leicester Royal Infirmary site.

The meeting closed at 12:08pm

Kate Rayns
Trust Administrator

Attendance Record

Name	Possible	Actual	% attendance	Name	Possible	Actual	% attendance
I Reid (Chair)	9	9	100%	M Lowe-Lauri	3	2	67%
J Adler	1	1	100%	A Seddon	9	9	100%
J Birrell	3	3	100%	G Smith *	9	9	100%
K Harris	8	4	50%	A Tierney	4	3	75%
S Hinchliffe	7	5	71%	J Tozer *	2	2	100%
R Kilner	9	9	100%	J Wilson	9	9	100%

* non-voting members