

**UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST**

**REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD**

**DATE OF TRUST BOARD MEETING: 2 November 2017**

**COMMITTEE: Finance and Investment Committee**

**CHAIR: Mr M Traynor, FIC Chair**

**DATE OF COMMITTEE MEETING: 28 September 2017**

**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:**

- Minute 5/17/1 – Month 5 Financial Performance;
- Minute 6/17/3 – Strategic Infrastructure Review update, and
- Minute 7/17/2 – IBM Contract update.

**DATE OF NEXT COMMITTEE MEETING: 26 October 2017**

**Mr M Traynor, Non-Executive Director and FIC Chair**

**UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST**

**MINUTES OF THE INAUGURAL MEETING OF THE FINANCE AND INVESTMENT COMMITTEE (FIC), HELD ON THURSDAY 28 SEPTEMBER 2017 AT 9AM IN THE BOARD ROOM, VICTORIA BUILDING, LEICESTER ROYAL INFIRMARY**

**Voting Members Present:**

Mr M Traynor – Non-Executive Director (Committee Chair)  
Mr A Johnson – Non-Executive Director  
Mr T Lynch – Interim Chief Operating Officer  
Mr K Singh – Trust Chairman  
Mr P Traynor – Chief Financial Officer

**In Attendance:**

Mr C Benham – Director of Operational Finance  
Mr N Bond – Head of Capital Projects (for Minute 6/17/3)  
Mr J Clarke – Chief Information Officer (for Minute 7/17/2)  
Mr D Kerr – Director of Estates and Facilities  
Mrs K Rayns – Corporate and Committee Services Officer  
Mr B Shaw – Director of Efficiency and CIP  
Mr N Sone – Financial Controller (up to and including Minute 5/17/3)

**RECOMMENDED ITEM**

**ACTION**

**1/17 FINANCE AND INVESTMENT COMMITTEE – MEMBERSHIP, TERMS OF REFERENCE AND DRAFT WORK PLAN**

The Committee Chairman introduced paper C, detailing the proposed membership, terms of reference and draft work programme for the Finance and Investment Committee (FIC). He highlighted the intention for some FIC meetings to commence at the earlier time of 8.30am to allow for due consideration of future substantive investment business cases.

In response to a query raised by Mr A Johnson, Non-Executive Director, it was clarified that the Finance and Investment Committee would retain responsibility for monitoring the Trust's Cost Improvement Programme, although it may be that the new People, Process and Performance Committee would also review cross-cutting CIP themes and/or the CIP project management office resources. The membership, terms of reference and draft work programme were supported for adoption.

**Recommended – that the membership, terms of reference and draft work programme for the Finance and Investment Committee be supported for adoption and recommended for Trust Board approval.**

FIC Chair

**RESOLVED ITEMS**

**2/17 APOLOGIES**

Apologies for absence were received from Mr J Adler, Chief Executive and Mr R Moore, Non-Executive Director.

**Resolved – that the apologies for absence be noted.**

**3/17 MINUTES**

**Resolved – that the Minutes of the final Integrated Finance and Performance Committee (IFPIC) meeting held on 31 August 2017 (papers A1 and A2) be confirmed as correct records.**

**MATTERS ARISING**

Paper B detailed the status of all outstanding matters arising from previous Integrated Finance, Performance and Investment Committee (IFPIC) meetings. Members noted that progress of the following items would now be monitored through the People, Process and Performance Committee:-

- Item 8 – review of Lean expertise (Minute 87/17/4b of 31 August 2017);
- Item 11 – inclusion of national performance targets within the Organisation of Care update reports (Minute 88/17/1a of 31 August 2017);
- Item 13 – amendments to the Workforce and OD slides (Minute 88/17/2 of 31 August 2017);
- Item 17 – re-formatting of the Workforce and OD slides (Minute 77/17/2 of 27 July 2017), and
- Item 26 – consideration to be given to inviting CMGs to attend a future Trust Board thinking day on Lean Techniques (Minute 140/16f of 23 February 2017).

The Committee also discussed progress in respect of the following items:-

- |     |  |       |
|-----|--|-------|
| (a) | <b>Item 8 (Minute 87/17/4b of 31 August 2017)</b> – the Director of Efficiency and CIP was requested to review the Lean capabilities at UHL and provide a position statement to the People, Process and Performance Committee on 26 October 2017. The Director of Estates and Facilities advised that a member of his staff had received formal Lean training;                         | DECIP |
| (b) | <b>Item 10 (Minute 87/17/6b of 31 August 2017)</b> – the Chief Financial Officer advised that the draft 5 Year Financial Strategy was currently being redrafted to reflect the extended timeframes beyond the STP, and that the revised document would now be presented to the 2 November 2017 Trust Board meeting;  | CFO   |
| (c) | <b>Item 24 (Minute 53/17/7 of 25 May 2017)</b> – the Director of Operational Finance provided a short briefing on the options appraisal and contract award process for UHL's electronic rostering system. Proposals were expected to be presented to the Executive Performance Board and FIC on 24 and 26 October 2017 (respectively);   | DWOD  |
| (d) | <b>Item 26 (Minute 140/16f of 22 December 2016)</b> – the Trust Chairman confirmed that a Trust Board Thinking Day discussion on Lean Techniques was being scheduled accordingly. The Director of Efficiency and CIP added that use of Lean technology would be built into the Trust's Efficiency Strategy going forwards, and   |       |
| (e) | <b>Item 27 (Minute 41/16/3(a) of 28 April 2016)</b> – during the discussion on the IBM Contract (Minute 7/17/2 below refers), the Chief Information Officer confirmed that there was scope to hold a follow-up Trust Board thinking day session at IBM's headquarters in London and he undertook to liaise with the Director of Corporate and Legal Affairs to schedule such an event. | CIO   |

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

**FINANCE AND PLANNING****2017-18 Month 5 Financial Performance**

The Chief Financial Officer introduced paper D, providing the monthly summary of performance against the Trust's statutory duties, financial performance, cash flow and capital expenditure, and advising of a year to date deficit of £23.0m (in line with plan) and forecast delivery of the planned year-end deficit of £26.7m following completion of the mitigating recovery actions. The Chief Financial Officer highlighted a number of changes to the reporting format reflecting an increased focus on patient care income and run-rates. He advised that any such changes would be identified within the covering executive

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summary for future reports.

The Trust's Cost Improvement Plan (CIP) target had recently been increased from £33m to £44.2m and CIP performance to date stood at £13.1m. There was currently a gap of £4.9m unidentified CIP savings and escalation meetings were being held with the relevant CMGs and Corporate Directorates. Some significant risk was associated with the profile of CIP savings which were expected to increase in quarters 2 to 4. The bar chart on page 13 illustrated the profile of total CIP savings which now included all of the technical adjustments and the supplementary CIP target. It was agreed that this chart would be amended for next month to provide greater clarity between the separate elements of CIP, in the form of a 'stacked' bar chart.

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The Chief Financial Officer briefed the Committee on 2 key technical adjustments planned to be enacted that month to reflect the reality of the contracting position (£0.5m) and accelerated use of £1.5m of reserves. A summary of the risks and mitigating actions was provided on page 24 of paper D and members welcomed the increased focus upon the financial quantum of each risk, noting that the total of the unmitigated income and expenditure risks now stood at £19.9m.

The Committee Chair expressed concern surrounding the general imbalance across the national health economy which usually resulted in Provider Trusts aggregating a financial deficit and Commissioners generating a surplus. Members supported this view, suggesting that a more balanced health economy position would be achieved if Commissioners were permitted to spend their forecast surpluses on additional patient care.

In respect of agency staffing expenditure, the Trust remained within the required level to comply with the NHS Improvement cap. Agency staffing expenditure was reducing, but not as quickly as desired and the rate of the reduction was being restricted by the amount of additional patient care activity currently being undertaken. The Director of Workforce and Organisational Development continued to work with regional partners to manage agency staffing rates and the majority of the remaining issues related to medical agency costs and particular rota gaps in some shortage specialties.

The Committee also considered the following issues:-

- (a) the Trust's liquidity position (noting an in-month increase of £9.0m in accounts payable);
- (b) overseas visitor debts and implementation of the new Overseas Hospital Charging Regulations. The Financial Controller was requested to brief the Trust Chairman on the implementation arrangements (outside the meeting), noting that he did not attend the Audit Committee, when an informative report had been considered on this subject;
- (c) capital expenditure of £10.5m (£0.9m favourable to plan);
- (d) a potential opportunity for UHL to be named on the relevant OJEU notice for a regional Public Private Partnership. The Director of Estates and Facilities agreed to circulate some presentation slides on this subject to FIC members (outside the meeting), and
- (e) the non-cash releasing impact of the Finance Improvement and Technical (FIT) actions set out on page 14 of paper D, which would be discussed later in the agenda during the report on cash (Minute 5/17/3 below refers).

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**Resolved – that (A) the 2017-18 month 5 Financial Performance report be received and noted as paper D;**

**(B) the Chief Financial Officer be requested to highlight any future changes to the formatting of the financial performance report within the covering executive summary;**

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**(C) the Chief Financial Officer be requested to amend the CIP bar chart on page 13 of paper D to clarify the amounts relating to the main CIP target, technical adjustments, and supplementary CIP;**

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**(D) the Financial Controller be requested to brief the Trust Chairman on the implementation arrangements for the Overseas Hospital Charging Regulations (outside the meeting), and**

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**(E) the Director of Estates and Facilities be requested to circulate some presentation slides on the subject of regional Public Private Partnerships to FIC members (outside the meeting).**

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5/17/2

Cost Improvement Programme (CIP)

The Director of Efficiency and CIP introduced paper E1, providing the monthly update on CIP progress (against the increased £44.2m CIP target) as at the end of August 2017 and advising of in-month delivery of £2.3m (against the planned £2.9m) and a forecast outturn of £39.2m against the £44.2m target. A breakdown by CMG and Corporate Directorate was provided on slide 6 of paper E1 and assurance was provided that regular escalation meetings were being held with each of the under-performing areas.

Particular discussion took place regarding the Estates and Facilities CIP schemes (including energy, combined heat and power, car parking and re-charging the University for use of UHL accommodation). Members considered the impact of the theatre ventilation breakdown at Glenfield Hospital and the challenges associated with scheduling theatres downtime to undertake planned preventative maintenance. Mr A Johnson, Non-Executive Director raised a question about estates and facilities pay harmonisation, noting that some existing staff were applying for new roles which offered improved terms and conditions. Some provision had been made for this trend, and the cost to date stood at £161k. The Director of Estates and Facilities also briefed the Committee on the benefits of UHL's existing combined heat and power plant and longer term plans to develop a new energy centre.

The indicative CIP targets for 2018-19 were provided on slide 10, but members considered the scope for a more intelligent target setting process, based upon productivity, efficiency and the scale of opportunity within each CMG or Corporate Directorate. To support delivery of the 2018-19 target, it was proposed to expand the current cross-cutting theme model and develop a Trust-wide Efficiency Strategy. The Committee Chair queried whether there were currently sufficient project management resources in place to support the CIP programme. In response, the Director of Efficiency and CIP advised that he would take a view on this point, once the Efficiency Strategy was finalised and shared with the Committee at either the October 2017 or November 2017 meeting. It may be that a centralised Lean PMO team would provide added value in addition to the pockets of expertise that resided within Directorates and CMGs.

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DECIP

Mr A Johnson, Non-Executive Director commented that the Red to Green process improvements could also be viewed as a cost improvement workstream (to be delivered in conjunction with the Tomorrow's Ward workstream). He also suggested that the Trust should be cognisant of the external factors affecting performance (eg step-down wards and delayed discharges). The Chief Financial Officer made reference to the operational pressures surrounding delivery of the 4-hour target for emergency care and the likely cost pressures for sustaining specific interventions going forwards. It was agreed that this issue would be considered in more depth at the People, Process and Performance Committee later that day.

A summary of the £3.5m supplementary CIP schemes had originally been scheduled on the agenda as paper E2, but members noted that this had not been circulated as it was currently being finalised (following conclusion of the review meetings with CMGs and Corporate Directorates). Instead, the report would be presented to the Trust Board for consideration on 5 October 2017.

CFO

**Resolved – that (A) the report on CIP progress be received and noted as paper E1, and paper E2 (the expected summary of the supplementary CIP schemes) be**

effectively withdrawn from the agenda;

**(B) the Director of Efficiency and CIP be requested to present the UHL Efficiency Strategy to FIC in either October 2017 or November 2017 (when available);** DECIP

**(C) the Director of Efficiency and CIP be requested to review the CIP PMO resources in line with the Efficiency Strategy and advise the Committee of the outcome, and** DECIP

**(D) the Chief Financial Officer be requested to present a report on the supplementary CIP target to the Trust Board meeting on 5 October 2017.** CFO

5/17/3 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.**

6/17 **STRATEGIC ISSUES**

6/17/1 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.**

6/17/2 Strategic Use of the Managed Equipment Service (MES) Model

Further to IFPIC Minute 61/17b of 29 June 2017, the Director of Operational Finance introduced paper G, briefing the Committee on the arrangements for managing and prioritising the medical equipment budget, noting that following a recent change in the national rules, any Managed Equipment Service contracts were now funded from internally generated capital.

Currently £5.1m of the £10.1m budget was being allocated to imaging equipment supplied through MES and this was not currently aligned with the priorities of the wider medical equipment replacement programme. Assurance was provided that a robust system was in place for allocation of the remaining budget and that a review of the strategic use of MES contracts would be included in the next report on the Capital Programme (including any opportunities to increase the life span of such equipment).

**Resolved – that (A) the briefing paper on the strategic use of MES be received and noted as paper G, and**

**(B) a review of the current use of MES contracts be factored into the next report on the Capital Programme.** CFO

6/17/3 Strategic Infrastructure Review Update

Further to IFPIC Minute 17/17/3 of 23 February 2017, Mr N Bond, Head of Capital Projects attended the meeting to introduce paper H, highlighting the focus on infrastructure improvements to support the Strategic Reconfiguration Programme schemes at Glenfield Hospital (ITU expansion, additional wards, and new radiography rooms).

A gap analysis had been undertaken and additional investment was required in heating and hot water supplies, medical oxygen, medical vacuum capacity and high and low voltage electricity supplies. Assurance was provided that any infrastructure improvements were being future-proofed to increase service resilience and support future developments. Discussions had been held with the local electrical supply authority and the indicative cost for an additional mains supply from Beaumont Leys would be in the region of £1.5m, to

include all external works and the internal trenching but excluding the provision of additional sub-station capacity (which was estimated at approximately £600k).

**Resolved** – that the update on infrastructure improvements to support the Strategic Reconfiguration Programme (paper H) and the subsequent discussion be received and noted.

6/17/4 Confidential Report by the Director of Estates and Facilities

**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.

7/17 **KEY CONTRACTS**

7/17/1 East Midlands Pathology (Empath) Network Update

Further to IFPIC Minute 89/17/1 of 31 August 2017, paper J provided an update on progress with the blueprint for the development of a fully integrated regional pathology service between UHL, Nottingham University Hospitals, Kettering General Hospital, Northampton General Hospital and Sherwood Forest Hospitals. Appendix 1 provided a letter from NHS improvement which proposed the establishment of a pathology network which included the 5 previously named Trusts plus Derby Teaching Hospitals NHS Foundation Trust and Chesterfield Royal Hospital NHS Foundation Trust. A copy of the proposed response letter was provided at appendix 2.

**Resolved** – that the Empath Network Update (paper J) and the subsequent discussion be received and noted.

7/17/2 IBM Contract Update

The Chief Information Officer attended the meeting to present paper K, providing the quarterly update on the IBM contract. He particularly highlighted the improvements required to the desktop service since a key member of the Desktop Support Team had left. IBM had provided their service improvement plan as requested and progress against this plan would be monitored closely over the next few weeks.

Additional plans were in place for increasing security awareness and appropriate testing of susceptibility to 'phishing' attacks. The Chief Information Officer highlighted some recent changes to the formatting of links contained in emails which now demonstrated whether the links were from a valid source. The Committee considered future opportunities to strengthen the strategic and transformational aspects of the contract and members expressed an interest in holding a follow-up Trust Board thinking day at IBM's headquarters in London. The Chief Information Officer agreed to liaise with the Director of Corporate and Legal Affairs to schedule such an event.

**Resolved** – that (A) the Quarterly IBM Contract Update (paper K) and the subsequent discussion be received and noted, and

(B) the Chief Information Officer be requested to liaise with the Director of Corporate and Legal Affairs to schedule a follow-up Trust Board thinking day at IBM's headquarters in London.

CFO

8/17 **SCRUTINY AND INFORMATION**

8/17/1 Timetable for UHL Business Case Approvals

Paper L briefed the Committee on UHL's initial bid of £30.8m of capital to progress the interim ICU scheme and a second capital bid for the remaining capital to deliver the reconfiguration programme. The Chief Financial Officer highlighted the exchange of

correspondence with NHS Improvement (as appended to paper L) relating to capital funding for the LLR Sustainability and Transformation Plan and the associated changes in timescales.

**Resolved** – that the updated timetable for Strategic Business Case approvals be received and noted as paper L.

8/17/2 Executive Performance Board

**Resolved** – that the notes of the 29 August 2017 Executive Performance Board meeting be received and noted as paper M.

8/17/3 Capital Monitoring and Investment Committee

**Resolved** – that the notes of the 17 August 2017 Capital Monitoring and Investment Committee meeting be received and noted as paper N.

8/17/4 Revenue Investment Committee

**Resolved** – that the notes of the 17 August 2017 Revenue Investment Committee meeting be received and noted as paper O.

9/17 ANY OTHER BUSINESS

**Resolved** – that no items of other business were noted.

10/17 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 5 October 2017,

CCSO/  
Chair

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

- Minute 5/17/1 – Month 5 Financial Performance;
- Minute 6/17/3 – Strategic Infrastructure Review update, and
- Minute 7/17/2 – IBM Contract update.

(C) a new template for the Finance and Investment Committee meeting summaries be implemented with effect from the 26 October 2017 FIC meeting.

CCSO/  
Chair

11/17 DATE OF NEXT MEETING AND PROPOSED MEETING DATES FOR 2018

**Resolved** – that (A) the next meeting of the Finance and Investment Committee be held on Thursday 26 October 2017 from 9am to 11am in the Board Room, Victoria Building, Leicester Royal Infirmary, and

(B) the schedule of proposed meeting dates for 2018 be confirmed as follows:-

- Thursday 25 January 2018;
- Thursday 22 February 2018;
- Thursday 29 March 2018\*;
- Thursday 26 April 2018;
- Thursday 31 May 2018;
- Thursday 28 June 2018;
- Thursday 26 July 2018;
- Thursday 30 August 2018;
- Thursday 27 September 2018;
- Thursday 25 October 2018;

- Thursday 29 November 2018, and
- Thursday 20 December 2018.

\* Post meeting note: the March 2018 meeting date was subsequently amended to Thursday 22 March 2018.

The meeting closed at 11:14am

Kate Rayns,  
Corporate and Committee Services Officer

**FIC Attendance Record 2017-18**

Voting Members:

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

Non-Voting Members:

Name	Possible	Actual	% attendance	Name	Possible	Actual	% attendance
C Benham	1	1	100	Patient Partner (TBA)	0	0	-
D Kerr	1	1	100				