

Trust Board paper O3

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 1 August 2019

COMMITTEE: Finance and Investment Committee

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

DATE OF COMMITTEE MEETING: 27 June 2019

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

- **Changes to FIC terms of reference (Minute 56/19).**

OTHER KEY ISSUES IDENTIFIED BY THE COMMITTEE FOR NOTING BY THE PUBLIC TRUST BOARD:

- **None**

DATE OF NEXT COMMITTEE MEETING: 25 July 2019

**Mr M Traynor
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**MINUTES OF A MEETING OF THE FINANCE AND INVESTMENT COMMITTEE (FIC), HELD ON
THURSDAY 27 JUNE 2019 AT 8:30AM IN THE BOARD ROOM, VICTORIA BUILDING,
LEICESTER ROYAL INFIRMARY**

Voting Members Present:

Mr M Traynor – Non-Executive Director (Committee Chair) (up to and including Minute 62/19/1)
Mr J Adler – Chief Executive
Ms R Brown – Chief Operating Officer
Ms K Jenkins – Non-Executive Director
Mr K Singh – Trust Chairman (non-voting ex-officio) (and Acting Committee Chair from Minute 62/19/2)
Mr P Traynor – Chief Financial Officer

In Attendance:

Mr C Benham – Director of Operational Finance
Mr A Carruthers – Acting Chief Information Officer (for Minutes 62/19/5 and 62/19/6)
Mr N Coates – PwC (for Minute 61/19/4)
Mr D Kerr – Director of Estates and Facilities
Mr T Pearce – Major Projects Finance Lead (for Minute 62/19/5)
Mr B Shaw – Director of Productivity
Mr N Sone – Financial Controller (for Minute 61/19/2)
Ms H Stokes – Corporate and Committee Services Manager
Mr D Streets – Head of Procurement (for Minute 62/19/1)

RECOMMENDED ITEMS

ACTION

56/19 FINANCE AND INVESTMENT COMMITTEE (FIC) TERMS OF REFERENCE

Reflecting the new UHL Patient and Public Engagement Strategy as approved by the Trust Board on 6 June 2019, FIC members endorsed the proposed change to the terms of reference of the Finance and Investment Committee (involving the removal of the clause relating to Patient Partner attendance). This change was recommended for Trust Board approval accordingly.

**FIC
CHAIR**

Recommended – that the FIC terms of reference be amended to remove the clause relating to Patient Partner attendance, and recommended for Trust Board approval accordingly.

**FIC
CHAIR**

RESOLVED ITEMS

57/19 APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr A Johnson Non-Executive Director, and Mr M Wightman Director of Strategy and Communications.

58/19 DECLARATIONS OF INTEREST

The Chief Financial Officer and the Director of Operational Finance declared their respective roles as a Non-Executive Director, and Finance Director and Company Secretary of Trust Group Holdings Ltd. As these were judged by the Committee to be non-prejudicial interests, they remained present at the meeting.

Resolved – that the declarations of interest be noted.

59/19 MINUTES

Resolved – that the Minutes of the 30 May 2019 Finance and Investment Committee meeting be confirmed as correct records.

60/19 MATTERS ARISING

Paper B provided a summary of the matters arising from previous FIC meetings. The Chief Financial Officer confirmed his intention to review the draft 2019/20 FIC calendar of business with the Director of Productivity (Minute 19/19/6 of 27 February 2019) and update it accordingly. Some

CFO

further general background information was also provided by the FIC Non-Executive Director Chair in respect of confidential Minute 116/18/1 of 20 December 2018.

Resolved – that the discussion on the matters arising log and any associated actions be noted.

LEADS

61/19 KEY ISSUES FOR DISCUSSION/DECISION

61/19/1 2019/20 Month 2 Financial Performance

As detailed in paper D, month 2 financial performance was broadly on track; the Trust had achieved a year-to-date financial deficit of £14.8m excluding Provider Sustainability Funding (PSF), Financial Recovery Funding (FRF) and Marginal Rate Emergency Tariff (MRET), which was in line with plan. Including PSF/FRF/MRET, the Trust had achieved a year-to-date deficit of £10.6m (also in line with plan). The position within the Musculoskeletal and Specialist Surgery CMG and the Estates and Facilities Directorate was offset by coding improvements. The Trust remained within the agency expenditure cap set by NHSI, which was welcomed. As at month 2, UHL's productivity improvement programme had delivered efficiencies of £2.8m, which was in line with plan – the Chief Financial Officer recognised, however, that the required rate of delivery increased as the year progressed.

The Chief Financial Officer outlined both the pay and non-pay position for month 2 (noting the impact of drug and devices costs), and advised that he was not currently concerned by the adverse non-pay position. Since the May 2019 FIC, all outstanding contractual queries had now been resolved with Commissioners. With regard to forecasting, the Chief Financial Officer advised that from month 3 onwards the monthly finance report to FIC would also clearly identify a number of emerging commitments with a first call on reserves; these related to the decontamination solution, the digital EPR agenda, and additional capacity requirements as a result of non-elective activity pressures. FIC briefly discussed the potential service impact of changes to Consultant pensions (which had also been discussed at the 26 June 2019 Clinical Senate) and also noted the positive impact of improvements to clinical coding (Minute 61/19/4 below refers).

In discussion, the Chief Operating Officer advised that CMGs such as ITAPS were proactively looking at different ways of working, which was welcomed. The Chief Executive also commented on the wider LLR financial position in 2019/20.

Resolved – that the 2019/20 month 2 financial position be noted.

61/19/2 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.

61/19/3 Update on the 2019/20 Capital Programme

Paper F updated FIC on the revised UHL capital programme for 2019/20, which – given the very significant national constraints on capital – was now constructed on the basis that no external funding was available. UHL's 2019/20 capital programmes for medical equipment, IM&T, and estates and facilities had therefore been reworked, and all capital budget holders were now operating an 'emergency capital budget' control process, to ensure that only critical elements of capital expenditure were committed. FIC noted the significant reduction involved in the programme. The Chief Financial Officer also advised that – notwithstanding national capital shortages – Trusts were being encouraged to apply for any emergency capital funding available. The report also set out the proposed short-medium revenue solution (likely 12-24 months) and associated costs for the decontamination unit, confirmed by the Chief Operating Officer as the only viable option and involving a first call on reserves as per Minute 61/19/1 above.

The Audit Committee Non-Executive Director Chair commented on the reduction in UHL's capital programme from the original allocations, and sought assurance that appropriate detail would be provided on the risks of the revised capital programme 2019/20, down to the level of individual schemes. This should include a reconciliation between the original £89m programme and the current £38m programme. FIC agreed that this was needed for all of the elements of the capital plan, and the Chief Financial Officer advised that in addition to a monthly capital update he would

	also provide a report to the July 2019 FIC re: the specific risks across all 3 streams of the 2019/20 capital programme. The Director of Estates and Facilities recognised the potential for increased risk associated with the revised estates capital programme, and the need to explore appropriate mitigating actions. In response to comments from the FIC Non-Executive Director Chair, the Director of Estates and Facilities advised that theatre maintenance issues would be covered in an estates report being presented to the July 2019 Trust Board.	CFO
	Resolved – that a report be provided to the July 2019 FIC re: the specific risks across all 3 streams of the 2019-20 capital programme.	CFO
61/19/4	<u>UHL Productivity Improvement Programme (PIP) – Deep Dive</u>	
	The Director of Productivity presented the monthly PIP update, noting the £26.6m target for 2019/20. £25m of that £26.6m had now been identified, and work continued to identify the remaining amount and to reduce the programme delivery risks. The Director of Productivity was working closely with CMGs, and FIC noted that the PIP programme was broadly on target as of month 2 (£2.8m delivered year to date). In 2019/20, 6 key workstreams would drive financial improvement (procurement; coding; theatres; outpatients; clinical support, and workforce [premium pay]). The Director of Productivity suggested that it would be helpful for FIC to receive a future briefing on PLICS work, and he also noted his view that there was scope for further efficiencies on procurement. The report also outlined the Getting It Right First Time (GIRFT) visit schedule, and FIC was advised that – at 21 – UHL had received more GIRFT visits than any other Trust. In response to a query from the Chief Executive, the Director of Productivity considered that the scale of new efficiency improvements identified from GIRFT visits varied.	CFO
	Members of PwC then attended to present a deep dive into coding work. PwC outlined the very significant benefits of improving the quality of recorded patient care, including better planning and forecasting, benchmarking, mortality data, and more accurate reimbursement for complex work. PwC set out the financial impact of coding at peer average and peer upper quartile levels, and included a service case study. PwC had also developed information for clinicians to assist them in coding appropriately. In discussion, FIC queried whether the majority of Trusts at the upper quartile level had electronic patient records, and how far they were using automated solutions for capturing coding. FIC also discussed the process for flagging any coding practice changes to Commissioners, including the timescale for any challenges.	
	Resolved – that consideration be given to presenting PLICS work to a future FIC.	CFO
62/19	ITEMS FOR ASSURANCE	
62/19/1	<u>Progress Report on the UHL Procurement Strategy</u>	
	The Head of Procurement attended to update FIC on performance against the Trust's 3-year procurement strategy (2015/18), noting an improved position on the majority of measures. The Procurement team was aiming to deliver a £7.6m productivity improvement programme for 2019/20 (non-pay). UHL's procurement strategy for 2019/22 was currently in development and would be brought to FIC in quarter 3 of 2019/20 for approval. In presenting the update, the Head of Procurement also noted the impact of the Procurement Target Operating Model (PTOM) launched by NHS Improvement in December 2018, and confirmed UHL's involvement in the Trust Reference Group to help shape that blueprint for the future of NHS Procurement. FIC considered that there was scope for continued procurement productivity improvements, and noted the wider national drive towards regional centralisation. FIC also recognised the national shortage of procurement staff. In further discussion, the FIC Non-Executive Director Chair agreed to circulate the BSI document on professional procurement qualifications to the Head of Procurement, for information.	CFO/ HoP
	Resolved – that (A) the UHL procurement strategy for 2019-22 be presented to FIC in quarter 3 of 2019-20 for approval, and	CFO/ HoP
	(B) the BSI document on professional procurement qualifications be circulated to the Head of Procurement, for information.	FIC CHAIR
62/19/2	<u>UHL's Commercial Strategy and Intellectual Property Policy</u>	
	The Chief Financial Officer advised that Non-Executive Director comments were awaited on the draft version; once received, that work would be progressed.	

Resolved – that the position be noted.

62/19/3 CQC Use of Resources Update

The Director of Operational Finance advised that the position had not changed since discussion at a recent Trust Board thinking day. A meeting on the Use of Resources requirements was scheduled with NHSI/E on 10 July 2019, and a further update would therefore be provided to the July/August 2019 FIC.

DOF

Resolved – that a further update on the CQC Use of Resources requirements be provided to the July/August 2019 FIC.

DOF

62/19/4 Briefing on Potential Reforms to Simplify VAT Rules on Contracted Out Services

Paper J (deferred from May 2019) briefed FIC on HMRC's consultation on this issue as part of a wider review of VAT simplification within the public sector. This was a complex technical issue, and the briefing also advised that NHS organisations would now have the right of appeal in respect of Contracted Out Services assessments. Appropriate updates on the outcome of the consultation would be provided to future FIC meetings.

Resolved – that the position be noted.

62/19/5 Confidential Report from the Acting Chief Information Officer

Resolved – that this Minute be classed as confidential and taken in private accordingly on the grounds of commercial interests.

62/19/6 Quarterly Update on the IBM Contract

The Acting Chief Information Officer updated FIC on performance by UHL's IM&T managed business partner for the period March – May 2019. UHL was currently in the 7th year of its contract with IBM. Although performance remained steady against the core contractual metrics, UHL was reviewing some of the service level targets and service descriptions listed in the contract, to ensure they reflected current priorities and requirements. In response to a query from the Trust Chairman, the Acting Chief Information Officer advised that any contract extension discussions would take place from year 8 onwards. In general discussion, FIC noted that constraints on national capital availability were impacting on the e-hospital programme, although a way forward had been identified. The Acting Chief Information Officer also advised FIC that the eQUIP desktop refresh project had now replaced more than 4800 devices in its first 6 months. The wi-fi replacement project was also underway to improve service over the next 12 months.

Resolved – that the position be noted.

63/19 **ITEMS FOR NOTING**

Resolved – that the following items be received for noting, at papers M – P respectively:-

- (1) timetable for UHL business case approvals;
- (2) FIC calendar of business 2019/20;
- (3) 28.5.19 Executive Performance Board action notes, and
- (4) 19.3.19 Capital Monitoring and Investment Committee action notes.

64/19 **ANY OTHER BUSINESS**

There were no items of any other business.

65/19 **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 4 July 2019, and

FIC
CHAIR

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

- (1) the recommended item at Minute 56/19 – changes to the FIC terms of reference;
- (2) the item at Minute 62/19/5 above.

Resolved – that the next meeting of the Finance and Investment Committee be held on Thursday 25 July 2019 from 8.30am to 11am in the Board Room, Victoria Building, Leicester Royal Infirmary.

The meeting closed at 11am

Helen Stokes
Corporate and Committee Services Manager

FIC Attendance Record 2019/20

Voting Members:

Name	Possible	Actual	% attendance	Name	Possible	Actual	% attendance
M Traynor (Chair)	3	3	100	A Johnson	3	2	67
J Adler	3	2	67	K Singh (Ex-officio)	3	3	100
R Brown	3	3	100	P Traynor	3	3	100
K Jenkins	3	2	67				

Non-Voting Members:

Name	Possible	Actual	% attendance	Name	Possible	Actual	% attendance
K Allan (Patient Partner) until 30.5.19	1	0	0	D Kerr	3	3	100
C Benham	3	2	67	M Wightman	3	2	67