

Trust Board paper P3

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 6 June 2019

COMMITTEE: Finance and Investment Committee

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

DATE OF COMMITTEE MEETING: 25 April 2019

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

- None

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

- Minute 40/19/1 – financial performance for Month 12,
- Minute 40/19/4 – 2019/20 Financial Plan, and
- Minute 41/19/2 – Quarterly Update on the Alliance Contract.

DATE OF NEXT COMMITTEE MEETING: 30 May 2019

**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 25 APRIL 2019 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 R Brown – Chief Operating Officer
Ms K Jenkins – Non-Executive Director
Mr A Johnson – Non-Executive Director
Mr K Singh – Trust Chairman (non-voting ex-officio)
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 41/19/2)
Mrs K Rayns – Corporate and Committee Services Officer
Mr N Sone – Financial Controller (up to and including Minute 40/19/2)
Mr M Wightman – Director of Strategy and Communications

RESOLVED ITEMS

ACTION

36/19 APOLOGIES

Resolved – that no apologies for absence were received.

37/19 DECLARATIONS OF INTEREST

The Chief Financial Officer and Mr A Johnson, Non-Executive Director declared their respective roles as Non-Executive Director and Non-Executive Chair 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.

38/19 MINUTES

Resolved – that the Minutes of the Finance and Investment Committee (FIC) meeting held on 28 March 2019 (papers A1 and A2) be confirmed as correct records.

39/19 MATTERS ARISING

Paper B provided a summary of the matters arising from the 28 March 2019 and previous FIC meetings. During a detailed discussion on the report, the following information was noted:-

- Items 5 and 6 (Minute 29/19 of 28 March 2019) – confirmation had been received that NHS premises were exempt from the Nottingham City workplace parking levy. However, the indicative costs had been calculated in the event that such a scheme was implemented in Leicester and that NHS premises were not made exempt. The Director of Estates and Facilities reiterated that any additional charges would need to be recovered through increased parking tariffs. The Committee Chair sought and received assurance that the Trust would be responding to the consultation process on the potential implementation of a workplace parking levy in Leicester;

**DEF/
DCLA**

- Item 8 (Minute 30/19/1 of 28 March 2019) – an update on the development of a centralised endoscopy decontamination scheme would be provided later in the meeting, as part of the wider discussion on the 2019/20 Capital Programme (Minute 40/19/3 refers);
- Item 14 (Minute 30/19/4 of 28 March 2019) – an overview of UHL’s strategic cash position would be presented to the May 2019 FIC meeting. The Chief Financial Officer advised that the recent receipt of additional Provider Sustainability Funding in 2018/19 would contribute to a more positive revised position; **CFO**
- Item 16 (Minute 31/19/2 of 28 March 2019) – provisional arrangements were being made for the Audit Committee to receive an overview of the IM&T governance arrangements at its July 2019 meeting; **CFO/ACIO**
- Item 23 (Minute 19/19/3 of 28 February 2019) – the Director of Estates and Facilities and the Chief Operating Officer had held a series of meetings to develop proposals for a theatre maintenance programme for 2019/20 and beyond. However, a date had not yet been agreed for presenting the proposed programme to an Executive Board meeting for approval; **DEF/COO**
- Item 25 (Minute 1/19 of 31 January 2019) – the Chief Financial Officer provided an overview of the internal arrangements for sharing the lessons learned from the negotiation process for the Pathology track contract extension;
- Item 33 (Minute 112/18 of 20 December 2018) – the Chief Operating Officer advised that the action relating to articulation of UHL’s preferences for the future configuration of those services being delivered by the Alliance had been superseded by a series of planning workshops to determine the longer-term future of the Alliance (beyond March 2021). It was agreed that this action would be marked as complete and removed from the progress log; **CCSO**
- Item 34 (Minute 116/18/1 of 20 December 2018) – the Director of Estates and Facilities provided assurance that the potential joint venture with Leicester Tigers to provide an additional multi-storey car park still aligned with the UHL’s Strategic Reconfiguration Plan and the Travel Plan (despite any uncertainty over the potential implementation of a workplace parking levy). The Corporate and Committee Services Officer was requested to RAG-rate this action as a 4 (on track), and **CCSO**
- Item 37 (Minute 85/18/6 of 27 September 2018) – the Chief Financial Officer briefed FIC on the development of UHL’s Long Term Financial Strategy (LTFS) and the arrangements for integrating this with the LLR System Plan by the Summer of 2019. A draft iteration of the Trust’s LTFS would be presented to FIC in May 2019. Discussion took place regarding the application for national capital funding to support the Strategic Reconfiguration Programme and whether it would be possible to present 2 versions of the LTFS, to reflect the various funding scenarios. **CFO**

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

40/19 KEY ISSUES FOR DISCUSSION/DECISION

40/19/1 2018/19 Month 12 and Year-End Financial Performance

The Chief Financial Officer introduced paper C advising that (subject to audit) the Trust had achieved a year to date deficit of £51.8m excluding Provider Sustainability Funding (PSF) and Impairment which was £30.6m adverse to plan. This was driven by the cessation of the Facilities Management LLP and the crystallisation of unmitigated Financial Recovery Board risk together with financial deterioration within the CMGs. Including PSF, the Trust had achieved a deficit of £48.5m representing a £50.3m adverse position to plan due to non-recognition of PSF from quarter 2. Reporting verbally, the Chief Financial Officer advised of an indicative additional allocation of a £7.7m PSF, noting that this would further improve UHL’s reported 2018/19 year-end outturn and provide an additional injection of cash to secure necessary improvements in accounts payable performance. FIC members welcomed this news, particularly noting the Committee Chair’s expectation that NHS organisations would be required to achieve 60 day accounts payable

performance by September 2019.

As required, the unaudited Statutory Accounts for 2018/19 had been submitted to the Centre on 24 April 2019. The 4 week External Audit process was already underway and the External Audit Opinion on the Statutory Accounts would be presented to the Audit Committee and the Trust Board on 24 May 2019. The Chief Financial Officer confirmed that he was monitoring the audit process closely to ensure that any queries or requests for additional information were responded to in a timely manner. In response to a query from the Audit Committee Chair, the Chief Financial Officer agreed to liaise with the Director of Corporate and Legal Affairs to agree an appropriate timescale for the circulation of the Audit Committee and Trust Board reports to allow members appropriate time to review the documentation ahead of these key meetings.

CFO/
DCLA

Particular discussion took place regarding the Trust's strong operational and financial performance during the third and fourth quarters of 2018/19 and the need to maintain this momentum into 2019/20 in order to deliver the 2019/20 financial control total and build up UHL's financial credibility. The Chief Executive acknowledged the significance of maintaining operational delivery through the winter period in achieving the revised financial control total, particularly noting the level of risk (£11m) that had been mitigated since the quarter 2 re-forecast. He provided assurance that the Financial Recovery Board would continue to meet (at a lesser frequency throughout April, May and June 2019), as this had proved to be an effective forum for controlling non-essential expenditure and had provided a robust framework for business planning and budget setting processes.

Mr A Johnson, Non-Executive Director requested a summary of the balance sheet adjustments enacted during 2018/19 for his own information. In response, the Chief Financial Officer agreed to provide this information to Mr Johnson (outside the meeting) confirming that he was currently asking his teams to review whether any adjustments had been enacted during month 12 which might impact upon the month 1 position for 2019/20. The Audit Committee Chair commented that assurance on this point would also be provided by the External Auditors via their report on any audit differences, which was due to be presented to the Audit Committee on 24 May 2019.

CFO

Resolved – that (A) the 2018/19 Month 12 and Year-End Financial Performance report be received and noted as paper C, and

(B) the Chief Financial Officer be requested to liaise with the Director of Corporate and Legal Affairs to agree an appropriate timescale for circulation of the agenda and reports for the Audit Committee and Trust Board meetings due to be held on 24 May 2019, and

CFO/
DCLA

(C) the Chief Financial Officer be requested to arrange for a summary of balance sheet adjustments enacted during 2018/19 to be provided to Mr A Johnson, Non-Executive Director (outside the meeting).

CFO

40/19/2 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.

40/19/3 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.

40/19/4 2019/20 Financial Plan

Further to Minute 31/19/4 of 28 March 2019, the Chief Financial Officer introduced paper F, providing the final version of UHL's plan to deliver the forecast income and expenditure deficit of £48.7m (as approved by the Trust Board on 4 April 2019 as part of the 2019/20 Annual Operational Plan) and in line with the control total issued by NHS Improvement. Section 2.1 of paper F provided the breakdown of additional central funding that the Trust would be able to access for signing up to the control total and for delivering the financial plan. As requested at the March 2019 FIC meeting, appendix 3 set out the proposed profile of income, pay and non-pay expenditure and cost improvement savings by month throughout the year. Particular discussion took place regarding the risks associated with the 2019/20 financial plan and the actions planned to address the current planning gap of £7.8m. The Chief Operating Officer highlighted the benefits of UHL's well-proven Accountability Framework and the robust arrangements for monitoring CMGs' performance via the monthly Performance Review Meetings.

A draft version of UHL's Longer Term Financial Strategy (LTFS) was due to be considered by FIC in May 2019. The Trust Chairman encouraged FIC members to focus on the Trust's financial strategy for the next 4 to 5 years, with an emphasis on learning from recent improvements in operational and financial performance, identification of those issues which were considered to be within the Trust's own gift to address, and what the Trust could do differently to improve productivity and efficiency, aligned with the Quality Strategy and appropriate leadership behaviours. The Chief Operating Officer supported the Trust Chairman's comments, noting that there were still opportunities for UHL to re-shape and improve the management of resources to make them as cost-effective as possible, eg reducing the amount of revenue currently paid to private sector providers. She provided an overview of the workstreams that were currently being undertaken to (a) create a hub for elective activity to reduce the influence of seasonality and emergency activity, (b) repatriate a significant portion of private sector activity, and (c) establish a confirm and challenge approach towards workforce investment in order to reduce the reliance upon high-cost agency staffing.

Mr A Johnson, Non-Executive Director highlighted some scope for reducing areas of variance between workforce costs and patient care income, noting the historical impact of seasonality upon the Trust's financial profile. He suggested that the Trust should consider implementing a more robust process to analyse (and challenge) any future changes in workforce establishment and that this might include arrangements for monitoring workforce productivity metrics. In response, the Chief Executive provided assurance that all recruitment cases of need (other than for identified exempt categories) were being reviewed and challenged where appropriate. However, he advised that more draconian measures to reduce workforce costs could not be taken in isolation. The Chairman highlighted a specific example of an unfilled Ward Clerk vacancy, noting the potential impact upon productivity for the affected ward. Members agreed that an integral part of the Quality Strategy was to ensure appropriate end-to-end delivery of key services, and that this might require the Trust to implement new ways of working and changes in workforce establishment (in parallel).

The Director of Strategy and Communications briefed FIC on the process for the development of the LLR System Plan and potential changes to the narrative surrounding UHL's structural deficit in relation to UHL's Strategic Reconfiguration Programme. The Committee also considered the arrangements for developing more detailed action plans to support the delivery of the 2019/20 control total, embedding the lessons learned from 2018/19 and noting the importance of establishing a unified approach to efficiency and productivity aligned with the Quality Strategy. It was agreed that an in-depth discussion would be held at the May 2019 FIC regarding the Productivity Improvement Programme and that this item would feature under the 'For Exploration' section of the agenda.

CFO

Resolved – that (A) the 2019/20 financial plan be received and noted as paper F, and

(B) the Chief Financial Officer be requested to arrange for a detailed report on the Trust's Productivity Improvement Programme to be presented to FIC in May 2019 (under the 'For Navigation' section of the agenda) to support an in-depth discussion on this theme.

40/19/5 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.

41/19 ITEMS FOR ASSURANCE

41/19/1 UHL Productivity Improvement Programme

Paper H provided an overview of UHL's Productivity Improvement Programme, advising that savings of £51.59m had been achieved against the 2018/19 target of £51.48m. To date, savings of £23.6m had been identified for 2019/20 which represented 89% of the overall £26.6m target. The report was received and noted on the basis that a more detailed discussion on Productivity Improvements was planned for the May 2019 FIC meeting. In response to a query from the Director of Strategy and Communications, the Chief Financial Officer advised that that Mr B Shaw, Director of Productivity was the main point of contact for discussions on Section 106 agreements.

Resolved – that the month 12 update on UHL's Productivity Improvement Programme (PIP) be received and noted as paper G.

41/19/2 Alliance Quarterly Contract Update

The Alliance Director attended the meeting to present paper I providing a comprehensive overview of the financial and operational performance of the UHL pillar of the Alliance Contract. Members particularly noted the forecast adverse variance of £190k for 2018/19, which was being driven by under-performance in day case activity, offset by under-expenditure in workforce costs, re-charges and a gain share for under-delivering imaging activity. Referral to Treatment (RTT) performance had remained below the 92% target since August 2018, with year-to-date performance standing at 90.1%. The non-admitted position had been impacted by a mis-match between capacity and demand within community paediatrics, pain management, spinal surgery and rheumatology.

The report also covered cancelled operations, DNA rates, slot availability, outpatients correspondence, outpatient dermatology activity, a reduction in the waiting list for circumcisions and expansion of the medical workforce. Robust pre-assessment processes had been implemented across all sites and it was hoped to convert the one-way text reminder service into a two-way text system. The highest DNA rates had been noted within the community paediatrics service, where staff had been telephoning parents to remind them of their children's appointments. The Committee Chair sought and received an update from the Chief Executive about the scope to move from paper letters to emails for outpatient correspondence, noting that one of the current proposals being explored included electronic access to an NHS portal (with secure log-in facilities). Members commented upon the significant reduction in postage costs that a secure on-line system could deliver.

The Alliance Director also briefed FIC on the administrative and clerical staff review, the Referral Support Service, key risks (including endoscopy decontamination and plans to address the poor condition of the Hinckley and District Hospital). A recent donation had been received which would fund installation of suitable theatre ventilation at Melton Hospital thus enabling Cataract Surgery to be undertaken on that site. In response to a query from Mr A Johnson, Non-Executive Director, the Alliance Director advised that whilst

the Alliance was not able to play a bigger part in UHL's Integrated Discharge Process, there was some scope for UHL to obtain increased support from community services. Finally, members noted that a workshop was planned to be held with all partner agencies in June 2019 to explore the system requirements for the activity currently being undertaken by the Alliance following the end of the contract in March 2021.

Resolved – that the quarterly update on the Alliance Contract be received and noted as paper I.

42/19 ITEMS FOR NOTING

42/19/1 Productivity Strategy 2019-23

Resolved – that the Productivity Strategy 2019-23 be received and noted as paper J.

42/19/2 Timetable for Business Case Approvals

Resolved – that the Timetable for UHL Business Case Approvals be received and noted as paper K.

42/19/3 FIC Calendar of Business 2019/20

Resolved – that the FIC calendar of business for 2019/20 be received and noted as paper L.

42/19/4 Executive Performance Board

Resolved – that the notes of the 26 March 2019 Executive Performance Board meeting be received and noted as paper M.

42/19/5 Capital Monitoring and Investment Committee (CMIC)

Resolved – that the action notes of the CMIC meeting held on 15 February 2019 be presented to FIC in May 2019.

CFO

42/19/6 Revenue Investment Committee (RIC)

Resolved – that the action notes of the RIC meeting held on 25 February 2019 be presented to FIC in May 2019.

CFO

43/19 ANY OTHER BUSINESS

Resolved – that no items of any other business were raised.

44/19 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 2 May 2019, and

CCSO/
Chair

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

- Minute 40/19/1 – financial performance for Month 12,
- Minute 40/19/4 – 2019/20 Financial Plan, and
- Minute 41/19/2 – Quarterly Update on the Alliance Contract.

45/19 DATE OF NEXT MEETING

Resolved – that the next meeting of the Finance and Investment Committee be held on Thursday 30 May 2019 from 8.30am to 11am in the Board Room, Victoria Building, Leicester Royal Infirmary.

The meeting closed at 11.22am

Kate Rayns
Corporate and Committee Services Officer

FIC Attendance Record 2019/20

Voting Members:

Name	Possible	Actual	% attendance	Name	Possible	Actual	% attendance
M Traynor (Chair)	1	1	100	A Johnson	1	1	100
J Adler	1	1	100	K Singh (Ex-officio)	1	1	100
R Brown	1	1	100	P Traynor	1	1	100
K Jenkins	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