

Trust Board paper M3

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 3 June 2021

COMMITTEE: Finance and Investment Committee (FIC)

CHAIR: Mr A Johnson, Non-Executive Director and FIC Chair

DATE OF COMMITTEE MEETING: 29 April 2021

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

- need for further work on the 2021/22 draft H1 financial plan (Minute 34/21), and
- draft capital plan 2021/22 (Minute 35/21)

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

- 2021/21 month 12 financial position (Minute 41/21/2), and
- Transformation and CIP discussion (Minute 41/21/3).

DATE OF NEXT COMMITTEE MEETING: 27 May 2021

Mr A Johnson, Non-Executive Director and FIC Chair

**UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST**

**MINUTES OF A FINANCE AND INVESTMENT COMMITTEE (FIC) MEETING, HELD VIRTUALLY ON THURSDAY 29 APRIL 2021 AT 9AM VIA MICROSOFT TEAMS**

**Voting Members Present:**

Mr A Johnson – Non-Executive Director (Committee Chair)  
Col (Ret'd) I Crowe – Non-Executive Director  
Mr S Lazarus – Chief Financial Officer  
Ms D Mitchell – Acting Chief Operating Officer  
Mr B Patel – Non-Executive Director

**In Attendance:**

Mr R Cooper – Financial Improvement Director  
Miss M Durbridge – Director of Quality Transformation and Efficiency Improvement  
Ms K Gillatt – Associate Non-Executive Director  
Mr D Kerr – Director of Estates and Facilities (for Minute 41/21/1)  
Mr S Linthwaite – Deputy Director of Finance (Financial Services) (for Minute 41/21/1)  
Mr I Orrell – Associate Non-Executive Director (excluding Minutes 36/21 – 39/21 inclusive)  
Mr J Shuter – Director of Operational Finance  
Ms H Stokes – Corporate and Committee Services Manager  
Mr D Streets – Head of Procurement and Supplies  
Mr M Williams – Non-Executive Director

**ACTION**

**RECOMMENDED ITEMS**

**34/21 2021/22 H1 FINANCIAL PLANNING PROCESS**

The Chief Financial Officer presented the draft financial expenditure plan for the first half ("H1") of 2021/22, at paper E. The national planning guidance (which had only recently been issued on 25 March 2021) had confirmed that 2021/22 H1 should be based on activity assumptions experienced in quarter 3 of 2020/21 (H1 equating therefore to Q3 x 2 plus inflation). The draft financial plan prepared on this basis anticipated a break-even position for UHL including the receipt of £21.1m system headroom funding (non-recurrent). That £21.1m agreed with system partners related to increased activity, pre-commitments (the Chief Financial Officer provided assurance to FIC that a significant level of detailed information was in place underpinning those pre-commitments, which included paycosts committed to but not in place as at Q3), risks, and inflation pressures. The Chief Financial Officer provided further explanatory information to FIC on the risks listed in the plan, and described the budget-setting process undertaken by UHL including discussions with system partners. The Director of Operational Finance also commented on the need to progress an appropriate system-wide financial architecture.

Although the FIC Non-Executive Director Chair confirmed that he took assurance from the process described, he noted that the actual 'Q3x2 plus inflation' figure was not yet definitively known, and he emphasised the need for UHL to control those elements within its gift (which he considered to be workforce and activity). In response to that comment, the Acting Chief Operating Officer recorded her support for CMGs to deliver as much activity in H1 as possible to alleviate current backlog issues, and she outlined the ERF funding mechanism in place. She also emphasised the need to target clinical risk areas and to continue to forecast activity accurately. The FIC Non-Executive Director Chair echoed this view and clarified that he was not implying the Trust should reduce activity but was emphasising control of costs based on the activity assumptions assumed as appropriate. The Director of Operational Finance advised FIC that a formal 2021/22 H1 activity plan was being developed for Trust Board approval (currently proposed for the May 2021 Trust Board) and the development of budgets. Mr B Patel Non-Executive Director commented on the interesting discussion held on this item, and suggested that a wider session (ie also involving other Trust Board members) would be beneficial to explore the various external influences and internal opportunities for providing assurance. The FIC Non-Executive Director Chair voiced surprise that the H1 plan was intended for approval at the May 2021 Trust Board; he considered that although FIC understood the methodology behind the plan it was not currently able to provide assurance to the Trust Board on the content, as the required level of detail was not available. The Chief Financial Officer agreed that the detailed schedule of figures for the 2021/22 H1 financial plan

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**CFO**

would be further developed and the plan presented therefore to the May 2021 FIC and the June 2021 Trust Board for approval.

**Recommended** – that (A) the detailed 2021/22 H1 financial plan be presented to the May 2021 FIC, for recommendation to the June 2021 Trust Board, and CFO

(B) consideration be given to holding a wider session involving other Trust Board members, to explore the various external influences and internal opportunities for providing assurance (on the financial position). CFO

#### 35/21 2021/22 CAPITAL PLAN

Due to time constraints on the meeting, the FIC Non-Executive Director Chair advised that it was not possible to discuss the 2021/22 £80.3m draft capital plan in detail (paper H), and the item would therefore be taken at the next (May 2021) FIC. The Chief Financial Officer acknowledged the very significant work on the plan by the Director of Operational Finance and the Capital Monitoring and Investment Committee (CMIC), which had also been recognised by the 28 April 2021 Financial Recovery Board. In response to a query from the Director of Operational Finance, the FIC Non-Executive Director Chair agreed that work on the commitments in the 2021/22 draft capital plan could be progressed (as he was assured that appropriately-detailed work had been done on the plan's development and priorities), despite formal approval now being scheduled for the May 2021 FIC. Given the experience of recent years it was important to allow progress to be made on the capital plan in order that implementation was not unreasonably delayed. CFO

**Recommended** – that the 2021/22 draft capital plan be endorsed and recommended to the Trust Board for approval, noting that the detail would be reviewed further at the May 2021 FIC. FIC NED CHAIR

#### RESOLVED ITEMS

#### 36/21 APOLOGIES FOR ABSENCE

None.

#### 37/21 DECLARATIONS OF INTERESTS

Mr A Johnson FIC Non-Executive Director Chair, Ms K Gillatt, Associate Non-Executive Director, Mr S Lazarus Chief Financial Officer, and Mr J Shuter Director of Operational Finance declared their roles as (respectively) Non-Executive Chair, Non-Executive Directors, 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 interests be noted.

#### 38/21 MINUTES

**Resolved** – that the Minutes of the 25 March 2021 Finance and Investment Committee be confirmed as a correct record.

#### 39/21 CIRCULATION OF FIC PAPERS

Although recognising current pressures, the FIC Non-Executive Director Chair emphasised the need for key papers to be available sufficiently in advance of the meeting to enable Non-Executive Director review. A way forward was agreed accordingly for implementation from the next meeting. CFO/DOF

**Resolved** – that available FIC papers be circulated on the Friday before the meeting, other than the exceptions identified at the April 2021 FIC. CFO/DOF

#### 40/21 MATTERS ARISING LOG

Paper B updated FIC on the status of actions from previous meetings, and the FIC Non-Executive Director Chair welcomed the progress being made in (appropriately) closing those.

The additional verbal updates now provided would be included in the next iteration of the action log (for the May 2021 FIC), and FIC members particularly noted the position re:-

- (a) item 12a (Minute 11/21/1 of 25 February 2021) – this would be progressed through a Trust Board thinking day;
- (b) item 15 (Minute 5/21/1 of 28 January 2021) – this could be closed on the FIC action log, as assurance re: procurement to pay processes would be pursued through the Audit Committee (which was also reviewing UHL's Standing Orders and Standing Financial Instructions);
- (c) item 23 (Minute 28/20/1 of 30 July 2020) – the Acting Chief Operating Officer advised that she had discussed this further with the Medical Director, and was not convinced that the job planning system could provide the information sought by FIC. She requested further clarity on what FIC required, which was now outlined by the FIC Non-Executive Director Chair. The Acting Chief Operating Officer agreed that she would report accordingly to the August 2021 FIC on wider work re: Consultant productivity/efficiency measures (for 2022/23), ie UHL position v peer Trusts etc, including how to potentially measure the impact of repeat work.

ACOO

**Resolved – that the matters arising log and associated updates be noted, and any further actions required be taken forward by the appropriate named lead.**

NAMED  
LEAD(S)

#### 41/21 KEY ISSUES FOR DISCUSSION AND ASSURANCE

41/21/1 Report from the Director of Estates and Facilities

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

41/21/2 2020/21 Month 12 Financial Position and Forecast Outturn

The Chief Financial Officer briefed FIC on the Trust's year to date financial performance as at month 12 (paper D), with non-Covid-19 activity continuing to be adversely affected by the third wave of the Covid-19 pandemic. The actual position (including Top Up funding) was a £16.4m year-to-date surplus, which was £10.6m adverse to forecast. The primary driver for that adverse position related to the £10.9m provision made for the repayment of 2019/20 Q1 and 2 Provider Sustainability Fund monies. 2020/21 outturn was still subject to any further changes arising from the 2019/20 accounts restatement. In presenting the report, the Chief Financial Officer drew FIC's attention to the Trust's strong cash position (£88m underlying position) and to the very significant improvements in UHL's payment times for small and medium enterprises/BPPC compliance performance, with 91% (by value) paid within 30 days. The Chief Financial Officer considered, however, that the monthly finance report would benefit from a clearer narrative of the reasons for the surplus position; although this was partially explained in appendix 6 (activity), further detail would be included in future reports and ahead of forthcoming meetings with NHSE/I. The Director of Operational Finance described the wider national context for NHS budget-setting and achievement of a balanced position for the NHS overall. It was agreed to develop a single schedule for the next FIC, setting out the Trust's actual operating financial position and showing separately any technical accounting matters and adjustments for issues such as (eg) pensions contributions and annual leave (guidance on which was received late in the financial year). Mr I Orrell Associate Non-Executive Director welcomed this, but emphasised the need for that information also to be shared with the wider Trust Board beyond FIC, given the complex and technical nature of the information. Although recognising the requirement in the previous recovery and restoration plans for ambitious planning assumptions, FIC reiterated its view on the crucial importance of realistic workforce and recruitment assumptions were key. The Acting Chief Operating Officer also commented on the need for CMGs to recognise that reduced, more realistic recruitment forecasts would not necessarily result in a linear reduction of budgets.

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Mr I Orrell Associate Non-Executive Director requested a view from Executive Director FIC members on whether 2020/21 year-end activity levels had provided assurance that appropriate budgetary control was in place; in response, the Chief Financial Officer advised that this was the case in Q4, reflecting (welcomed) improvements to forecasting. The Chief Financial Officer reiterated, however, the challenges of having received the 2021/22 national planning guidance as late as 25 March 2021 – the Director of Operational Finance advised FIC that he and the Acting Chief Operating Officer were meeting later today to further discuss the 2021/22 budgets, noting the need also for appropriate system partnership working on linking activity to finances

in a non-PbR environment. Mr M Williams Non-Executive Director, queried how the 2020/21 Q3 basis compared to UHL's own assessment of its 2021/22 H1 requirements; in response, the Chief Financial Officer reminded FIC of the 2021/22 Q1 budget-setting report discussed at the April 2021 Trust Board and noted that H1 requirements were broadly met with the addition of the £21.1m system headroom funding, as discussed in the 2021/22 H1 financial plan item (Minute 34/21 above refers).

With regard to appendix 7 of the 2020/21 month 12 finance report, Ms K Gillatt Associate Non-Executive Director asked if it would be possible to include additional (headline) information explaining CMGs' financial performance, so that FIC could understand the drivers for the CMGs' positions and be able to apply learning going forward. The FIC Non-Executive Director Chair noted the view of Executive Directors that FIC did not review activity, although he did not necessarily agree and considered that this was not a restriction in the FIC terms of reference and was a hindrance to the effective operation of FIC in providing assurance. The Chief Financial Officer advised that due to other pressing priorities the finance team in isolation was not currently in a position to include activity information in the finance report; he noted that the report had been significantly extended from its original format and suggested that the current iteration should now embed before further changes. The Chief Financial Officer further commented on the difficulty of providing 'bitesize' information at overarching CMG level given the significant number of different specialties and services involved – however, the CMG Performance Review Meeting packs contained specialty-level detail which he suggested could potentially be shared with Non-Executive Directors for information. The FIC Non-Executive Director Chair emphasised the need for FIC to have the ability to provide appropriate levels of understanding and assurance regarding the root causes for financial performance and ability to influence the position whilst not overstepping into the remit of the People Process and Performance Committee; the Director of Operational Finance and the Acting Chief Operating Officer agreed to consider outside the meeting how to provide FIC with this information to enable the level of assurance requested. The 2020/21 month 12 financial position would be highlighted to the Trust Board for information.

DOF/  
ACOO

**Resolved – that (A) a single schedule be developed for the next FIC setting out the Trust's actual operating financial position and showing separately any technical accounting matters and adjustments for issues such as (eg) pensions contributions and annual leave, thus providing a clearer narrative of the reasons for the surplus position;**

CFO

**(B) it be ensured that the wider Trust Board was also appropriately sighted to the information in (A) above, and**

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**(C) consideration be given outside the meeting re: how best to provide FIC with the requested activity-related assurance (potentially including sharing the CMG Performance Review Meeting packs with Non-Executive Directors, for information).**

DOF/  
ACOO

41/21/3

Becoming the Best: Quality Transformation and Efficiency Programme, and 2021/22 CIP Programme

In presenting paper F, the Director of Quality Transformation and Efficiency Improvement confirmed that the 2020/21 CIP had closed at £8.808m; although exceeding the £8m delivery target this closing position was slightly lower than anticipated due to a specific Estates and Facilities scheme shortfall. The report also updated FIC on 2021/22 H1 CIP planning (also based on the 2020/21 Q3 position as for the financial plan), proposing therefore a 2021/22 H1 CIP of £4.8m. Although still subject to final validation once CMG/Directorate budgets were set, the Director of Quality Transformation and Efficiency Improvement considered that at 0.9% of annual turnover the H1 CIP programme was both above the NHSE/I requirement and realistically deliverable. RAG-rated progress would be included in the transformation reports to FIC from May 2021 onward. The Director of Quality Transformation and Efficiency Improvement advised FIC that approximately half of the H1 CIP plan related to workforce/premium pay efficiencies, and she outlined the significant enabling work currently underway to reduce costs and drive out inefficiencies [eg reduced use of FP10 prescriptions]. The Director of Quality Transformation and Efficiency Improvement acknowledged the relatively-modest H1 CIP target but provided reassurance to FIC that key CIP enabling work continued at pace. CMGs were being appropriately rigorously challenged by the Transformation Team, and the 2021/22 H2 CIP plan would be brought to FIC once available, noting that the H2 budget was not yet known.

DQTEI

Although acknowledging the points made by the Director of Quality Transformation and Efficiency Improvement, Mr M Williams Non-Executive Director voiced significant concern over how the £30m-35m totality of the 2021/22 CIP plan was going to be delivered, and he sought urgent assurance that appropriate focus was being maintained on achieving the overall programme. He requested that future reports to FIC also refer to that overall programme, as a key part of the Trust's underlying deficit plan. He did not consider that a £30m-35m CIP programme was unrealistic for 2021/22. His views were echoed by the FIC Non-Executive Director Chair, and by the Financial Improvement Director who noted the CIP programme work undertaken with Kingsgate and considered that UHL should be in a position of already having a robust 2021/22 CIP programme and being able to identify what elements of that overall programme were in the £4.8m H1 plan and what elements would deliver in H2. The Director of Quality Transformation and Efficiency Improvement advised that a line by line review of schemes was already underway. The FIC Non-Executive Director Chair requested that this information be provided to the next FIC, including clarity on how the 2020/21 CIP schemes were positively impacting in 2021/22 and the realisation of initiatives identified from 2020/21. The Financial Improvement Director also commented on the need to understand the continuity from 2020/21 into 2021/22. The Financial Improvement Director did not see the lack of a known H2 budget as a blocker to being able to understand the baseline H2 CIP position, as national drivers/changes could then be taken into account afterwards. The Chief Financial Officer suggested that a CIP plan dashboard/KPIs might be helpful in providing assurance to FIC. The FIC Non-Executive Director Chair considered that the H1 CIP target was at a relatively low level and did not appear to be realising the cost reductions envisaged within the work done in 2020/21. Mr M Williams Non-Executive Director emphasised the crucial need to move forward on making savings. The FIC Non-Executive Director Chair advised that due to time constraints and potential time conflicts with other Board Committees, there was insufficient time available for a more wide-ranging discussion. This item would be highlighted to the Trust Board for information.

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DQTEI

**Resolved** – that (A) it be ensured that all future CIP reports included the position re: the 2021/22 CIP programme as a whole, and also provided clarity on:

DQTEI

- (1) which elements were in the £4.8m H1 plan and which would deliver in H2;
- (2) how the 2020/21 CIP schemes were positively impacting in 2021/22;
- (3) the continuity from 2020/21 into 2021/22, and

(B) the 2021/22 H2 CIP plan be presented to FIC once available.

DQTEI

41/21/4 Report from the Financial Improvement Director

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

41/21/5 Financial Recovery Board (FRB)

**Resolved** – that the action notes from the 17 March 2021, 31 March 2021 and 14 April 2021 FRB meetings, and the agenda from the 28 April 2021 FRB meeting, be noted.

42/21 **ITEMS FOR NOTING**

**Resolved** – that the following items be received and noted:

(A) action notes from the 23 March 2021 Executive Finance and Performance Board meeting, and the agenda from the 27 April 2021 Executive Finance and Performance Board meeting.

43/21 **ANY OTHER BUSINESS**

There were no items of any other business.

44/21 **IDENTIFICATION OF ANY KEY ISSUES FOR THE TRUST BOARD**

**Resolved** – that (A) the items in Minutes 34/21 and 35/21 be recommended to the 6 May 2021 Trust Board for approval, and

FIC NED  
CHAIR

(B) the items in Minutes 41/21/2 and 41/21/3, and in confidential Minute 41/21/1 be highlighted to the 6 May 2021 Trust Board for information.

FIC NED  
CHAIR

45/21 DATE OF NEXT MEETING

**Resolved** – that the next meeting of the Finance and Investment Committee be held virtually on Thursday 27 May 2021, from 9am to 11.15am via Microsoft teams.

The meeting closed at 11.16am

Helen Stokes **Corporate and Committee Services Manager**

**FIC Attendance Record 2021/22**

Voting Members:

Name	Possible	Actual	% attendance	Name	Possible	Actual	% attendance
A Johnson (Chair)	1	1	100	D Mitchell	1	1	100
I Crowe	1	1	100	B Patel	1	1	100
S Lazarus	1	1	100				

Non-Voting Members:

Name	Possible	Actual	% attendance	Name	Possible	Actual	% attendance
K Gillatt	1	1	100	J Shuter	1	1	100
I Orrell	1	1	100	M Williams	1	1	100