

Meeting title:	Trust Board					
Date of the meeting:	11 May 2023					
Title:	Escalation Report from the Finance and Investment Committee (FIC): 2 May 2023					
Report presented by:	Steve Harris, FIC Non-Executive Director Chair					
Report written by:	Helen Stokes, Corporate and Committee Services Manager					
Action – this paper is for:	Decision/Approval	X	Assurance	X	Update	X
Where this report has been discussed previously	Not applicable					

To your knowledge, does the report provide assurance or mitigate any significant risks? If yes, please detail which

Yes. BAF risks within the remit of FIC are listed below:

BAF ref	Risk Cause	Risk Event
03-FIC	Material misstatements in the Trust's restated 2019/20 balance sheet, with implications for audit opinion on 2020/21 and future accounts	Unable to progress to next level of Audit Opinion
04-FIC	Culture of weak financial management, governance with longer term planning not yet embedded	Finance team not engaged with organisation, or undertaking roles in line with process or expectations
05-FIC	Lack of financial grip and control, governance and financial processes	Financial transactions not carried out in accordance with the law and with Government policy and accounting standards. Lack of clarity over the financial position and plan
06-FIC	Insufficient capital funding	Unable to address statutory requirements such as health and safety standards and legislation, and address backlog maintenance requirements (concerning medical equipment, estate and IM&T)
07a-FIC	Significant financial challenge over the next 3 years across the LLR system to meet both operational and inflationary pressures and recovery from COVID	Failure to deliver the 2022/23 financial plan
07b-FIC	Significant financial challenge over the next 3 years across the LLR system to meet both operational and inflationary pressures and recovery from COVID	Failure to deliver the Medium Term Financial Plan (MTFP)
08-FIC	IT Infrastructure unfit for the future	Unable to provide safe, high quality, modern healthcare services
09-FIC	Estate Infrastructure unfit for the future	Unable to provide safe, high quality, modern healthcare services

Impact assessment

N/A

Acronyms used:

BAF – Board Assurance Framework FIC – Finance and Investment Committee
CIP – Cost Improvement Programme ICB – Integrated Care Board

1. Purpose of the Report

To provide assurance to the Trust Board on the work of the Trust's Finance and Investment Committee (FIC), and escalate any issues as required.

2. **Recommendations**

2.1 There is 1 public item from the 2 May 2023 FIC requiring Trust Board approval.

3. **Summary**

The FIC meeting was quorate. Items from the FIC meeting of 2 May 2023 are summarised for the 11 May 2023 public Trust Board:

Recommended items:

3.1 **Board Assurance Framework (BAF)**

FIC reviewed all strategic risks on the BAF aligned to its remit (including 3, 5, 6, 7a, 7b, 8 and 9). FIC noted the updates made in the month (included in the BAF in red text) to include new controls, gaps, and key next steps. FIC agreed 2 significant changes to the BAF this month: firstly, following endorsement of the 2021/22 accounts at the 26 April 2023 extraordinary Audit Committee meeting (subject to Trust Board approval), FIC agreed to close off BAF risk 3 (material misstatements) as this risk had been treated. Secondly, FIC agreed that BAF risk 7a (delivery of the 2022/23 financial plan reforecast) had met its target rating and could be removed from the BAF, as any residual risk from 3 and 7a would be recorded on the operational risk register. These 2 points would be recommended through this escalation report for formal sign off by the Trust Board on 11 May 2023.

There were no other significant changes proposed to risk scores or content this month. To note, the BAF risk scores were as follows: strategic risk 3 (material misstatements in the Trust's restated 2019/20 balance sheet): as stated, FIC supported removing this risk; strategic risk 5 (financial grip and control) current rating 8, tolerable rating 8 and target rating 4; strategic risk 6 (insufficient capital funding) current rating 20, tolerable rating 15 and target rating 9; strategic risk 7a (financial challenge may result in failure to deliver the 2022/23 financial plan reforecast): as mentioned, FIC agreed the risk had been reduced to the target rating and could be closed; strategic risk 7b (financial challenge over the next 3 years across the LLR system may result in failure to deliver the Medium Term Financial Plan) current rating 16, tolerable rating 12 and target rating 8; strategic risk 8 (IT Infrastructure unfit for the future) current rating 16, tolerable rating 12 and target rating 9; strategic risk 9 (Estate Infrastructure unfit for the future) current rating 16, tolerable rating 12 and target rating 9. ***The proposal to remove risks 3 and 7a from the BAF and incorporate them into the UHL operational risk register as appropriate is endorsed, and recommended for Trust Board approval.***

Discussion items:

3.2 **2022/23 month 12 ICB finance update**

The Chief Financial Officer advised FIC that all ICB partner organisations had delivered their 2022/23 positions in line with their plan.

3.4 **2022/23 month 12 UHL financial position** *(mitigating BAF risk 7a)*

FIC received assurance that the 2022/23 financial plan had been delivered (the month 12 position being a deficit of £12.455m following adjustment). The detail of the 2022/23 CIP and capital positions was discussed in detail (see below). The Trust's focus was therefore now on delivery of the 2023/24 financial plan. In response to a query from the FIC Non-Executive Director Chair, the Chief Financial Officer provided assurance that all actions involved in delivering the 2022/23 financial position had been developed collaboratively.

3.5 **2022/23 month 12 capital update** *(mitigating BAF risk 6)*

FIC received assurance that the 2022/23 capital plan had been delivered save for a small underspend of £811k against the total £97m programme. This was a significant achievement, particularly given the in-year increase of circa £42m to the capital plan. Although the Trust had been confident of

delivery due to the actions put in place, delivery had required continuous and proactive management. Although welcoming the Trust's delivery of the 2022/23 capital programme, the FIC Non-Executive Director Chair queried how the planning could be better balanced throughout the year, and requested assurance that the process would be different in 2023/24. The Director of Strategic Finance reiterated the Trust's ambitious and proactive approach to medium term capital planning (which was echoed by the Director of Estates and Facilities), and noted the difficulty of predicting the scale of in-year allocations. Although acknowledging the need to be appropriately quick and responsive in terms of spending capital, the Chief Financial Officer also highlighted the impact of depreciation and PDC. Mr M Williams Non-Executive Director queried what steps had been taken to ensure that goods and works had been received and undertaken by 31 March 2023 – in response the Director of Strategic Finance provided assurance to FIC that appropriate due diligence had been undertaken with key stakeholders and the capital subgroups to validate/evidence receipt.

3.6 **2022/23 Cost Improvement Programme (CIP) update** (mitigating BAF risk 5)

FIC received assurance that the Trust had successfully (over)delivered its 2022/23 cash-releasing and non-cash-releasing CIP targets, albeit that the cash-releasing element of delivery had been enabled by non-recurrent schemes. The Transformation Team continued to work with CMGs and Corporate teams to identify plans for the 2023/24 CIP programme, and had also worked with the costing and coding teams in particular to develop new and innovative tools to identify CIP and productivity improvements. However, the Director of Productivity reiterated that the 2023/24 CIP was extremely challenging. Mr M Williams Non-Executive Director queried the Corporate/CMG CIP split, and in response the Chief Financial Officer provided assurance that a robust methodology underpinned that calculation. Mr Williams also queried the progress made at meetings with ICB partners re: system-level transformation, and FIC members recognised the need for a system-wide transformation plan with no unintended consequences for individual partners. The FIC Non-Executive Director Chair welcomed the delivery of UHL's 2022/23 CIP plan, and recognised the challenge of the 2023/24 target.

The challenging nature of the 2023/24 CIP, and attendant risks, are highlighted to the Trust Board.

3.7 **Finance restructure KPIs** (mitigating BAF risks 4 & 5)

FIC took assurance from the latest quarterly update on progress against the finance restructure 20 KPIs. 9 of those KPIs had now been fully delivered, with a further 3 partially or nearly delivered. 3 KPIs were not yet due, and 5 were not currently delivering to target. FIC welcomed this significant progress, and (in response to a query) took assurance from the work now described that good quality appraisals were being delivered. Although recognising that this was not solely within the control of the Finance team, Mr B Patel and Mr M Williams Non-Executive Directors queried the timescale for enforcing the 'no PO no pay' approach, and wondered whether a more robust approach was required. The FIC Non-Executive Director Chair considered that FIC could take assurance on the improvement trajectory evidenced by the KPI update, and noted his view that UHL's delivery on the financial and capital position and on accounts progress had been good. FIC's confidence in UHL's ability to deliver the required standards would therefore be highlighted to the Trust Board via this escalation report.

FIC's confidence in the UHL finance function ability to deliver the standards required is highlighted to the Trust Board.

Items for noting

- 3.8 The following items were received and noted with no discussion, following assurance from the Chief Financial Officer that there were no issues needing to be drawn to FIC's attention:
- updated list of in-year investments/approvals;
 - exiting the Recovery Support Programme – roadmap to sustainable financial improvement, and
 - Trust Leadership Team agenda from 25 April 2023 and actions from 18 April 2023.

4. Date of next meeting: 26 May 2023