

Meeting title:	Trust Board	Public Trust Board paper J				
Date of the meeting:	13 April 2023					
Title:	Escalation Report from the Finance and Investment Committee (FIC): 31 March 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 are no public items from the March 2023 FIC requiring Trust Board approval.

3. **Summary**

The FIC meeting was quorate. Items from the FIC meeting of 31 March 2023 are summarised for the 13 April 2023 public Trust Board:

Discussion 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), noting (from the Chief Financial Officer) how the FIC agenda items for this meeting related to those risks. There were no significant changes proposed to the content this month. FIC noted the updates made in the month included in the BAF in red text to include some new controls, assurances, and key next steps, and to extend some due dates. To note, there were no changes proposed to the scores of the strategic risks aligned to FIC's remit. For completeness, the BAF risks are strategic risk 3 (material misstatements in the Trust's restated 2019/20 balance sheet) current rating 12, tolerable rating 8 and target rating 4; 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 over the next 3 years across the LLR system may result in failure to deliver the 2022/23 financial plan reforecast) current rating 12, tolerable and target ratings 6; 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 Chief Financial Officer advised FIC that the forward plan risk might move to the operational risk register from the BAF in light of the submission of the 2023/24 financial plan.

3.2 **Exiting the Recovery Support Programme (RSP): roadmap to sustainable financial improvement** *(link to all BAF risks)*

Discussions were underway regarding the best way to incorporate this update in to 'business as usual' financial reporting, focusing on the use of targeted Key Performance Indicators to measure success.

3.3 **2022/23 month 11 ICB finance update**

The Chief Financial Officer briefed FIC on the month 11 financial report from the ICB, noting that the position was on track with forecast.

3.4 **2022/23 month 11 UHL financial position** *(mitigating BAF risk 7a)*

FIC noted the month 11 position for 2022/23, which was a deficit of £16.6m (£17.2m adverse to plan, for the same reasons as stated in previous monthly finance reports). The Trust had been on track to deliver its forecast year-end deficit position, but that position had now improved to a deficit of £12.6m due to the recent receipt of non-recurrent additional income from the ICS – subject to clarification on specific issues including the cost of recent industrial action and the impact of the proposed pay award, the Chief Financial Officer voiced her confidence of delivering that revised £12.6m year-end deficit position for 2022/23. Mr J Worrall Associate Non-Executive Director welcomed this position, and expressed his increased confidence in the Trust's ability to predict and manage its financial position, commenting positively on the more controlled environment therefore now in place. The FIC Non-Executive Director Chair echoed these comments.

3.5 **Accounts receivable deep dive update** (mitigating BAF risk 5)

The Deputy Director of Finance (Financial Services) presented a detailed report on the work being undertaken in Accounts Receivable. FIC received assurance on the progress being made on actions to address and manage both legacy and ongoing debt issues, and on the processes and systems being put in place to ensure effective financial controls and minimise aged debt arising going forwards. FIC welcomed this detailed analysis of the debtors position, and gained assurance that UHL's position re: Overseas Visitor debt was not an outlier when compared to the national position for similar-sized Trusts. The FIC Non-Executive Director Chair sought further information on the actions open to the Trust to recover debt, noting the reactive nature of many of the options available. FIC requested a future breakdown on the types of treatment involved in OSV debt, to understand the emergency/elective split. Mr M Williams Non-Executive Director also queried the position re: private insurer debt, and received assurance that the Trust's strengthened Private Patients team had succeeded in improving relations with such companies and were also working closely with clinicians. The FIC Non-Executive Director Chair welcomed this update, and voiced his particular support for appropriate pre-discharge collection mechanisms. FIC requested that a further update on Accounts Receivable be provided during the new financial year (eg at the half-way point).

This item is highlighted to the Trust Board for information.

3.6 **2022/23 month 11 capital update** (mitigating BAF risk 6)

As previously reported, the pace of capital expenditure continued to increase, and year-to-date capital expenditure (net of donated income) at month 11 was £52.5m – this was £2.5m ahead of the forecast profile. The capital subgroup leads had reiterated their confidence in delivering the 2022/23 capital programme, but FIC recognised, however, the significant expenditure challenge for the remainder of 2022/23 (£40.7m), and the significant level of accruals therefore required. The FIC Non-Executive Director Chair queried how this level of capital spend in the last quarter of the year would be received by the Trust's External Auditor, noting (in response) the recognised need for appropriate and robust evidencing of those accruals. Mr M Williams Non-Executive Director strongly emphasised his previously-expressed views on the need to plan the capital spend to avoid such a concentration at year end – the Chief Financial Officer noted that the capital plan had doubled in size over the year following additional allocations from NHSE, confirmed that she was discussing the need to improve pace with her team, and also noted the need for a discussion on risk appetite when committing the capital plan/spend. The Chief Information Officer provided assurance that his team was reviewing how to be appropriately ready to respond to short-notice in-year capital allocations, although he noted that it was not always possible to front-load capital plans in all circumstances.

3.7 **2022/23 Cost Improvement Programme (CIP) update** (BAF risk 5)

In a continued improvement since month 10, the Trust was currently circa £1.2m short against the overall 2022/23 £35m CIP target, and plans were now in place to bridge that gap and deliver the 2022/23 CIP, albeit with likely non-recurrent measures. Work also continued on identifying plans for the 2023/24 CIP programme, which was a target of £56m with circa £3.5m currently identified on the 2023/24 tracker. An 'opportunities' tracker had also been developed. FIC commented on the need for an appropriate ICB system-wide approach to transformation, noting a meeting planned accordingly of the Chairs, Chief Executives, and Finance Directors of all LLR ICB partner organisations in the next few weeks; in response to a query from the Director of Estates and Facilities, the Chief Financial Officer advised that discussions were also underway re: the appropriate allocation of system capital, noting UHL's view that any such allocation should be risk-profile based, and reflect consistent partner assumptions. Mr M Williams Non-Executive Director also observed the need for allocations to reflect the best interests of LLR patients.

3.8 FIC workplan 2023/24

FIC noted and supported the updated FIC workplan for 2023/24 (as updated by the Chief Financial Officer).

Items for noting

- 3.9** 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, and
 - Executive Finance and Performance Board actions from 21 February 2023 and Trust Leadership Team agenda from 29 March 2023.

4. Date of next meeting: April 2023 (date TBC)