

Meeting title:	Public Trust Board	Public Trust Board paper M				
Date of the meeting:	8 June 2023					
Title:	Escalation Report from the Finance and Investment Committee (FIC): 26 May 2023					
Report presented by:	Jeff Worrall, Associate Non-Executive Director Meeting 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
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)
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 26 May 2023 FIC requiring Trust Board approval.

3. Summary

The FIC meeting was quorate. Items from the FIC meeting of 26 May 2023 are summarised for the 8 June 2023 public Trust Board:

Recommended items:**3.1 FIC Annual Report**

FIC considered and endorsed the 2022/23 annual report into the effectiveness of the Committee, and recommended it for Trust Board approval. The information contained within the report aimed to provide FIC itself and the Trust Board with assurance on an annual basis that FIC meetings had covered all essential areas within its remit which were also aligned with best practice and FIC's terms of reference. FIC also considered a number of recommendations for the format of the report going forwards. FIC reviewed its performance against its core duties in detail (as set out in the 2022/23 annual report), and members noted their view that the Committee worked well and performed its duties effectively. FIC agreed to receive an update at its next meeting to clarify the position of the sub-groups which reported to FIC, and suggested also including an item on future agendas to capture any issues needing to be referred to other Board Committees. In terms of wider issues arising from the discussion on the 2022/23 FIC annual report, FIC queried how best to ensure that an appropriate benefits realisation/post-project evaluation took place re: approved investments, and how FIC might receive an overview of that information.

The 2022/23 FIC annual report is endorsed, and recommended for Trust Board approval. A standalone report features on the 8.6.23 Trust Board agenda accordingly.

Discussion items:**3.2 Board Assurance Framework (BAF)**

FIC reviewed all strategic risks on the BAF aligned to its remit (including 5, 6, 7b, 8 and 9). FIC noted the updates made in the month in red text to include new controls, gaps, and key next steps. Following discussion at the Trust Board in May 2023, FIC agreed to include the 2023/24 financial plan within BAF risk 7b, as it was part of longer term financial sustainability. The risk description for risk 7b had therefore been updated to include the 2023/24 plan and FIC noted the links between the BAF and the operational risk register with reference to 2 operational risks: (1) the financial plan, operational risk ID 3920, and (2) the CIP plan, operational risk ID 3910. The agreed change to risk 7b would be included in the next iteration of the BAF to the Trust Board, and FIC endorsed the proposed approach.

There were no other significant changes proposed to risk scores or content this month. To note, the BAF risk scores were as follows: strategic risks 3, 4 and 7a have been closed; 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 7b (financial challenge over 2023/24 and for the future 3 years across the LLR system may result in failure to deliver the 2023/24 financial plan and achieve long term financial sustainability) 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.

3.3 2023/24 Annual Plan risk review

At the request of the Trust Board, an overview of the identified 2023/24 Annual Plan delivery risks was being presented to all Board Committees, to enable the members of each Committee to assess which delivery risks aligned to their Committee as well as identifying if any other risks needed to be included. These risks would be managed through the respective Board Committee, with aggregated overall progress reported quarterly to the Trust Board. FIC reviewed in detail the 2023/24 annual plan risks ascribed to it, and made a number of suggested amendments which would be actioned by the Associate Director of Strategy and Partnerships accordingly.

3.4 2023/24 month 1 ICB finance update

The Chief Financial Officer advised FIC that the month 1 position was not reported at ICB level. She briefed FIC on plans to establish a system capital group to oversee the balance of capital risk and review the scope for standardisation of capital assumptions (eg life cycle). This system group would

be chaired by the UHL Chief Financial Officer, with representation also from other UHL Executive Directors.

3.5 **2023/24 month 1 UHL financial position**

FIC discussed the factors behind the month 1 deficit position of £9.4m (£4.2m adverse to plan), including the impact of industrial action, agency staff use, and inflationary pressures. FIC recognised that – if not addressed – the month 1 position was a significant risk to delivering the year-end forecast, and the Committee reviewed a range of 5 key workstreams being focused on by the Trust to mitigate this position as early as possible: urgent and emergency care; cost improvement programme; productivity; workforce, and financial reporting and oversight. The Chief Financial Officer reiterated to FIC that there was known risk in the 2023/24 financial position, and she noted that this had materialised earlier in the year than in 2022/23. FIC received assurance that it would be kept informed of progress on the 5 key workstreams through the monthly finance reports. Non-Executive Directors also queried how far the factors behind the month 1 position were within the Trust's control.

The Chief Financial Officer and Executive Director colleagues were working closely with Clinical Management Groups and Corporate Directorates on actions to recover the financial position. In terms of appropriate forward planning, the Finance team was already reviewing a range of potential year-end scenarios, and a year-end forecast update would be brought to FIC with the month 3 position. Although noting the actions outlined, FIC voiced concern over the financial position and emphasised the need for assurance that progress would be made before the end of summer.

The 2023/24 month 1 financial position is highlighted to the Trust Board for information.

3.6 **2023/24 month 1 capital update** (mitigating BAF risk 6)

The Trust had delivered gross capital expenditure of £1.9m in month 1 of 2023/24 against a plan of £3.7m, representing an underspend against plan of £1.8m. This underspend was primarily due to timing issues connected with the East Midlands Planned Care Centre, and FIC was also briefed on work being undertaken to identify additional funding for that facility from System capital. Aside from this underspend on one specific scheme, the Chief Financial Officer provided assurance to FIC that the Trust was progressing at pace in spending its overall 2023/24 capital programme of £103m (recognising FIC's comments on the in-year spend profile in previous years), which was significantly assisted by the existence now of a Trust medium term capital plan.

3.7 **2023/24 Cost Improvement Programme (CIP) update** (mitigating BAF risk 5)

FIC received assurance that the Trust was focusing on delivery of the very challenging £63m cash-releasing CIP target for 2023/24. This was a significant increase on the 2022/23 programme, and the month 1 delivery of £2.2m was ahead of the £1.4m plan (however, a significant chunk of that £2.2m was due to the release of a specific £1.7m accrual from 2022/23). Nonetheless, FIC received assurance from the Deputy Director of Organisational Transformation that CMGs and Corporate Directorates had robust CIP plans in place for month 2, who also provided assurance on the good level of engagement with and buy-in to the 2023/24 process. FIC noted that work was underway to refine CIP reporting, and requested that progress be more clearly set out in future iterations.

Items for noting

- 3.8 The following items were received and noted:
- updated list of in-year investments/approvals;
 - exiting the Recovery Support Programme – roadmap to sustainable financial improvement (verbal update), and
 - Trust Leadership Team agenda from 23 May 2023 and actions from 9 May 2023.

At the end of the meeting, the Acting FIC Non-Executive Director Chair also invited comments on how the meeting had been conducted.

4. **Date of next meeting: 30 June 2023**