

Meeting title:	Trust Board	Public Trust Board paper N				
Date of the meeting:	9 February 2023					
Title:	Escalation Report from the Finance and Investment Committee (FIC): 27 January 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 One public item from the January 2023 FIC requires Trust Board approval, as per paragraph 3.1.

3. Summary

The FIC meeting was quorate. Items from the FIC meeting of 27 January 2023 are summarised for the 9 February 2023 public Trust Board:

Recommended items:

3.1 Board Assurance Framework (BAF)

FIC reviewed all strategic risks (3, 4, 5, 6, 7a, 7b, 8 and 9) on the BAF aligned to its remit. FIC was satisfied there was positive assurance in relation to the key next steps identified within strategic risk 4 ('*culture within the finance team*') and supported the proposal to both reduce the current risk score (from 12 to 8) to meet the tolerable rating and to close the risk on the BAF and incorporate the residual risk regarding culture (training & development) into operational risk 3922 (re operational finance culture change) on the UHL operational Risk Register. FIC also supported the proposal to update the risk event description for strategic risk 7a ('*deliver the 2022/23 financial reforecast*') and to reduce the current risk score to moderate (from 15 to 12) based on updates to the risk event description. There were no further changes proposed to the scores of the remaining strategic risks (3, 5, 6, 7b, 8 and 9) aligned to FIC's remit.

The proposals to [i] reduce the risk score for BAF risk 4 from 12 to 8 and to remove that risk from the BAF and incorporate it into the appropriate risk on the UHL operational risk register, and [ii] reduce the risk score for BAF risk 7 from 15 to 12 are endorsed, and recommended for Trust Board approval.

Discussion items:

3.2 2022/23 month 9 ICB finance update

The Chief Financial Officer briefed FIC on the month 9 financial report from the ICB.

3.3 2022/23 month 9 UHL financial position (mitigating BAF risk 7a)

FIC noted the month 9 position for 2022/23, which was a deficit of £11.3m (£6.8m adverse to plan). Both pay and non-pay were at variance to plan, and key drivers for the position included additional emergency capacity above plan, additional elective capacity to support waiting list reduction, income, and inflation. UHL had issued revised control totals to all Clinical Management Groups and Corporate Directorates, and appropriate recovery actions had been developed, with performance being closely monitored through the cycle of Performance Review Meetings, and the Chief Financial Officer provided assurance that the Trust remained committed to delivering the 2022/23 year-end position of a £17.7m deficit as agreed with the System and NHSE/I (that position assumed delivery of a £35m UHL CIP). However, there remained operational risks to the financial position, including continued emergency pathway demands, actions to reduce ambulance waiting times, and the implications of any further industrial action by Ambulance services, and the Chief Financial Officer emphasised to FIC that although she could see a path to delivering the 2022/23 £17.7m deficit position it would nonetheless be challenging.

3.4 2022/23 month 9 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 9 was £35m – although this was £2m ahead of the forecast profile (which was welcomed) FIC recognised that a significant amount of expenditure remained in the last 3 months of the financial year to deliver the 2022/23 capital programme of £80.9m. In-year capital allocations continued to be received, and FIC was given assurance by the Director of Strategic Finance that the capital position was being reviewed and proactively managed on

a daily basis by the capital subgroup leads and the Capital Monitoring and Investment Committee. Appropriate schemes were being brought-forward where feasible. In response to a query from Mr M Williams Non-Executive Director as to the level of capital expenditure which would be paid by 31 March 2023, the Director of Strategic Finance advised that a 1-month lag on invoice expenditure was the norm. The FIC Non-Executive Director Chair strongly emphasised the need to be able to appropriately demonstrate that the works had been completed by year-end.

3.5 2022/23 Cost Improvement Programme (CIP) update (BAF risk 5)

The Director of Productivity advised FIC that progress against the 2022/23 £35m CIP target was slightly off-track – although currently challenging, bridging schemes had been developed and it was hoped to improve the position in month 10. The FIC Non-Executive Director Chair strongly pressed the Director of Productivity on the likelihood of delivering the bridging schemes, and FIC noted the level of confidence expressed in response. A further update on the delivery of the bridging schemes would be provided to the February 2023 FIC. Progress continued on developing the CIP plan for 2022/23, and a further progress update on that work would be provided to the February 2023 FIC.

3.6 Exiting the Recovery Support Programme (RSP) – roadmap to sustainable financial recovery (link to all BAF risks)

FIC took positive assurance from the January 2023 progress reported re: the actions necessary for UHL to exit the Recovery Support Programme. So that FIC's discussion on other agenda items could be appropriately contextualised, FIC agreed that the RSP update should be taken at the start of the meeting in future (after the BAF).

FIC's discussion on the Trust's progress towards exiting the Recovery Support Programme is highlighted to the Trust Board for information.

3.7 Balance sheet review (BAF risks 3 and 4)

FIC took positive assurance from the historical analysis of UHL's balance sheet over the last 2 financial years and for 2022/23 (as at month 9). The Deputy Director of Finance (Financial Services) detailed the ways in which the Trust's balance sheet had been strengthened over that time, which was welcomed by FIC. Positive work on the 'purchase to pay' process was also evidenced in the finance function KPI improvements. The FIC Non-Executive Director Chair particularly welcomed this update, and requested that a focus on the position re: aged debtors be provided to a future FIC meeting.

3.8 General Ledger and Financial Reporting – Internal Audit review (mitigating BAF risk 5)

FIC received an update on the Trust's management actions in response to this limited assurance Internal Audit report, which had also been discussed by the Audit Committee. The report contained 7 recommendations, 2 of which were rated as medium risk. The FIC Non-Executive Director Chair sought assurance on the re-review frequency, and received assurance that this would be an annual review through the Internal Audit workplan.

3.9 Finance actions from Internal Audit reports (mitigating BAF risk 5)

FIC received a summary overview of the status of Internal Audit report actions where Finance and Procurement had the lead responsibility for implementation. Progress had been made in responding to the actions, with 26 of the 33 actions due by 31 December 2022 having been delivered. There were no high risk actions still outstanding. Mr M Williams Audit Committee Non-Executive Director Chair reiterated his concern at the length of time taken to close down specific actions, and he strongly emphasised the need for historic actions to be either closed, or removed if no longer relevant. The FIC Non-Executive Director Chair took some assurance from the progress made in closing actions, but he acknowledged the points made by Mr Williams on the continued scope for improvement.

3.10 Critical path update (BAF risk 9)

FIC received an update on how backlog maintenance and critical infrastructure risks were being reduced through enabling projects at LRI as part of the Reconfiguration Programme.

3.11 Estates and Facilities compliance audit (BAF risk 9)

FIC received an update on progress following the compliance audit undertaken by an external company, and was given assurance by the Director of Estates and Facilities that there were no concerns requiring escalation at this stage. The FIC Non-Executive Director Chair took assurance from the report and welcomed the progress evidenced, noting the Director of Estates and Facilities' confirmation that an appropriate follow-up review would also be undertaken.

3.12 EPR programme review (mitigating BAF risk 8)

In line with the FIC workplan, the Chief Information Officer provided a quarterly assurance update re: progress on the Electronic Patient Record programme. He briefed FIC on progress to date, key deliverables for 2023/24, and risks (particularly relating to the recruitment and retention of appropriate expertise) to the delivery of the EPR programme's outcomes. Ms G Collins-Punter Associate Non-Executive Director queried the timeframe for the proposed clinical digital leadership role, and received assurance that this was being progressed. The FIC Non-Executive Director Chair welcomed the update and the scale of work underway.

3.13 3-year capital planning (mitigating BAF risk 6)

FIC was briefed on the ongoing development of a 3-year UHL capital plan, and also specifically noted the position re: the 2023/24 draft capital plan. Capital availability was extremely challenged, with a potential negative impact on estates infrastructure and IT schemes in particular, and FIC emphasised the need to clearly understand the implications of which schemes were progressed/not progressed. Decisions on the risk-profiled schemes needed to be clinically-driven, and Mr M Williams Non-Executive Director sought particular assurance on the mechanics of the prioritisation process for the individual capital schemes – in response, he received assurance that the impact on patient safety and care would be the ultimate determining factor.

3.14 Medium term financial plan (mitigating BAF risk 7b)

FIC was briefed on progress in developing a UHL medium-term financial plan (MTFP) alongside the Trust's overarching strategy, recognising the significant financial challenge facing UHL as a result of operational and inflationary pressures. The 'next steps' included ensuring that CMGs and Corporate Directorates understood the transformative opportunities to support delivery of the 2023/24 savings, and progressing both the operational and financial planning requirements for 2023/24. Finalisation of the MTFP was anticipated as May 2023 in line with that operational and financial planning process. FIC noted that further discussion on the MTFP would take place at a Trust Board workshop in March 2023.

3.15 Finance restructure KPIs (BAF risk 5)

FIC welcomed the progress outlined on the finance function KPIs, and took assurance from the full delivery of 4 specific indicators. FIC approved the request to change the target for KPI 9 (timely issuing of budget-holder reports) to 5 working days.

Items for noting

- 3.16** 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;
 - Finance and Procurement Skills Development (FPSD) working group annual report October 2022;
 - Executive Finance and Performance Board actions from 20 December 2022 and agenda from 24 January 2023.

4. Date of next meeting: 24 February 2023