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| Meeting title: | Trust Board | Public Trust Board paper J | | | | |
| Date of the meeting: | 9 March 2023 | | | | | |
| Title: | Escalation Report from the Finance and Investment Committee (FIC): 24 February 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 February 2023 FIC requiring Trust Board approval.

3. **Summary**

The FIC meeting was quorate. Items from the FIC meeting of 24 February 2023 are summarised for the 9 March 2023 public Trust Board:

Discussion items:

3.1 **Board Assurance Framework (BAF)**

FIC reviewed all strategic risks (3, 5, 6, 7a, 7b, 8 and 9) on the BAF aligned to its remit, 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 in red text to include some new key next steps, to extend some due dates and to outline progress with internal controls. To note, there were no changes proposed to the scores of the strategic risks aligned to FIC's remit. For completeness, 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 rating 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.

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

The Trust's External Auditors were reporting good progress in respect of the 2021/22 annual accounts process, which was welcomed by FIC. The Chief Financial Officer briefed FIC on potential risks arising from the financial plan process and medium term financial plan, in terms of any possible impact on the timescale for exiting RSP. FIC noted this issue, and commented on the increased importance of System-level financial sustainability.

3.3 **2022/23 month 10 ICB finance update**

The Chief Financial Officer briefed FIC on the month 10 financial report from the ICB, noting the deficit position. FIC recognised that ICB partner organisation financial risks lay principally with UHL, particularly around the emergency pathway.

3.4 **2022/23 month 10 UHL financial position** *(mitigating BAF risk 7a)*

FIC noted the month 10 position for 2022/23, which was a deficit of £15.7m (£12.4m adverse to plan, for the same reasons as stated in previous monthly finance reports). Additional efficiencies and productivity measures had been worked up with CMGs (ensuring that safety continued to be maintained), and UHL therefore remained committed to delivering a £17.7m deficit year-end position. Although that year-end position was on course, risks remained particularly around pay (which had not decreased as expected in month 10 compared to month 9). The emergency pathway remained the key financial risk area, although the increased expenditure was delivering performance improvements. The potential financial impact of strike action was also discussed. The Chief Financial Officer advised FIC that she was reasonably confident of delivering the agreed year-end position, although this would likely be delivered on a non-recurrent basis. She voiced concern, however, re: the increasing run-rate and the implications of that for 2023/24, and she noted the need to understand the workforce growth, noting FIC queries on the impact of agency spend. FIC received assurance that Executive Directors were appropriately challenging premium/agency pay at the monthly Performance

Review Meetings with Clinical Management Groups. Executive Directors also commented on the need to explore how to deliver permanent additional capacity (staffing) on a more planned, less high-cost basis.

3.5 2022/23 month 10 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 10 was £40.9m – this was £0.2m behind the forecast profile. FIC recognised the significant expenditure challenge for the remainder of 2022/23 therefore, and was advised of an increasing risk of a small underspend against the Trust’s overall £91.2m capital programme. An almost unprecedented amount (£38m) of in-year capital allocations had been received in 2022/23 – further allocations continued to be received and FIC commented on the increasing challenge of spending such capital at this stage of the year (noting also NHS Supply Chain issues). The Chief Financial Officer provided assurance to FIC that appropriate and strong financial governance was being applied by UHL in respect of all in-year allocations (as per BAF risk 5). FIC was advised that all appropriate steps were being taken to deliver the 2022/23 capital programme (while still mitigating any risk to the 2023/24 programme), and noted the continued proactive role of the capital subgroup chairs in reviewing spend and prioritisation. As requested, FIC delegated authority to the Capital Monitoring and Investment Committee (CMIC) to approve additional schemes equating to £2.1m which were deliverable by year-end (considerations to be expedited virtually, in the absence of a formal CMIC meeting).

Mr J Worrall Associate Non-Executive Director requested further information on the purpose and nature of specific portacabin facilities at the LRI and Glenfield Hospital sites, and Mr B Patel Non-Executive Director provided assurance that their impact was being discussed appropriately through the Operations and Performance Committee.

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

The Director of Productivity advised FIC that the Trust was currently circa £1.5m short against the overall 2022/23 £35m CIP target. Work continued with CMGs to bridge that gap, albeit with likely non-recurrent measures. Work also continued on identifying plans for the 2023/24 CIP programme, with initial schemes requested to be placed on the CIP tracker by 28 February 2023. The Director of Productivity noted the significant challenge posed by the scale of the 2023/24 CIP requirement, commenting also on the risk that continued inflationary pressures would adversely impact on the scope to deliver CIP in areas such as Pharmacy – a further update on the 2023/24 plan would be provided to the next FIC. Although emphasising the need for realistically-deliverable targets to be set, FIC Non-Executive Director members requested that the % target per area also be included in the report for FIC, to provide an understanding of the range of contributions. Based on the update provided, the FIC Non-Executive Director Chair considered that the 2022/23 CIP was likely to be delivered (albeit non-recurrently) but that there was currently a risk to the 2023/24 programme, and he advised that he would escalate this issue to the Trust Board.

[The CIP update is highlighted to the Trust Board for information](#)

3.7 General Pharmaceutical Council (GPhC) investigation action plan

The Chief Financial Officer advised that this was the first formal report on TGH Ltd issues to FIC, and she confirmed that regular updates would be provided going forward. The format of the contract review meetings was changing including the Chief Financial Officer chairing these meetings. The TrustMed Managing Director/Superintendent Pharmacist updated FIC on progress against the improvement action plan arising from the GPhC inspection of TrustMed Pharmacy at the LRI. The overall result of the GPhC’s November 2022 unannounced inspection was ‘standards not met’, due to standard 3 (‘premises’) not being met. In his capacity as TGH Ltd Director, Mr J Worrall Associate Non-Executive Director emphasised that to avoid enforcement action it was crucial that there was no slippage on the improvement action plan deadlines (28.2.23 for the short-term actions; 15.6.23 for the medium-term actions, and 31.3.24 for the long-term actions), and FIC noted that the GPhC would visit UHL again in Summer 2023. The TrustMed Managing Director/Superintendent Pharmacist advised

FIC that she was not unduly concerned with the slight delay on the warm shelter and tracking system elements of the action plan (short term actions).

In addition to progress on the short-term actions within the improvement action plan, work had also begun on the medium and longer-term elements, and the TrustMed Pharmacy Managing Director/Superintendent Pharmacist highlighted her concerns over the delay in identifying an LGH hub space. In response, the Director of Estates and Facilities emphasised the need to understand how the LGH space requirement had been calculated, and how it aligned to wider site use plans – he also noted the need for clarity on how existing demand/capacity/workforce/digital models and processes would be transformed in support of the estate ask, and he reiterated the enabling role of estates. The FIC Non-Executive Director Chair requested (and received) assurance that the GPhC inspector was being kept appropriately informed of progress against the actions. The FIC Non-Executive Director Chair considered that FIC was assured that good progress was being made in terms of pace on the action plan.

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;
 - Procurement Contracts Committee report and quarterly forward contract pipeline, and
 - Executive Finance and Performance Board actions from 24 January 2023 and agenda from 21 February 2023.

4. Date of next meeting: 31 March 2023