

<b>Meeting title:</b>	Public Trust Board	<b>Public Trust Board paper J</b>				
<b>Date of the meeting:</b>	10 August 2023					
<b>Title:</b>	<b>Escalation Report from the Finance and Investment Committee (FIC): 28 July 2023</b>					
<b>Report presented by:</b>	Mike Williams FIC Non-Executive Director Acting Chair					
<b>Report written by:</b>	Helen Stokes Corporate and Committee Services Manager					
<b>Action – this paper is for:</b>	Decision/Approval	X	Assurance	X	Update	X
<b>Where this report has been discussed previously</b>	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 2023/24 and for the future 3 years across the LLR system to meet both operational and inflationary pressures and recovery from COVID	Failure to deliver the 2023/24 financial plan and achieve long term financial sustainability
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 28 July 2023 FIC requiring Trust Board approval.

#### 3. Summary

The FIC meeting was quorate. Items from the FIC meeting of 28 July 2023 are summarised for the 10 August 2023 public Trust Board:

## **Recommended items:**

### 3.1 **Board Assurance Framework (BAF)**

FIC reviewed all strategic risks on the BAF aligned to its remit (5, 6, 7b, 8 and 9), and discussed how the agenda items being discussed today linked to those risks. FIC noted the updates made in the month in red text to include new controls, gaps, and key next steps. For the reasons now described by the Chief Financial Officer (including assurance from External Audit evidence of the improvement/progress made by the Trust), FIC agreed to the proposal that BAF risk 5 be removed from the (strategic-level) BAF, noting that any residual risk would be captured on the Trust Risk Register under the relevant operational finance/business risks.

There were no other significant changes proposed to risk scores or content this month (the score for risk 7b having been increased the previous month). Strategic risks 3, 4 and 7a have been closed, and strategic risk 5 (financial grip and control) was proposed to be removed from the BAF and managed through the operational risk register as detailed above. Remaining risks on the BAF aligned to FIC's remit were noted as being scored as follows: 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 20, 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 proposed removal of risk 5 from the BAF (any residual risk to be managed through the operational risk register instead) is endorsed, and recommended for Trust Board approval as per this escalation report.***

## **Discussion items:**

### 3.2 **2023/24 month 3 ICB finance update**

FIC noted the 2023/24 month 3 ICB finance position as presented, noting comments on the need for further review of the balance of risk.

### 3.3 **2023/24 month 3 UHL financial position** (*mitigating BAF risk 7b*)

FIC discussed the factors behind the deficit position of £21.9m for the year to date as at month 3 (£7.3m adverse to plan). As previously reported, the main drivers for the position included the impact of the industrial action (£2.9m adverse for pay and £2.6m adverse due to lower activity); income over-recovery in areas unaffected by industrial action (£2.2m favourable); inflation above plan (£2.3m adverse), and Urgent and Emergency Care agency nursing for specialising (£1.6m adverse), and FIC commented that a number of these factors were outside the Trust's control. The FIC Non-Executive Director Acting Chair queried whether sufficient consideration generally had been given (by the Trust) to the cost and wider implications of the current industrial action.

As part of the month 3 report, FIC also received an update on the 5 key workstreams developed by the Trust to ensure improvement in the financial position – the Chief Financial Officer advised FIC that external support had been secured to assist the Trust on these workstreams. Any currently off-plan clinical areas had been requested to develop appropriate recovery plans, which would be reviewed further by Executive Directors at the August 2023 round of performance review meetings. The Chief Financial Officer outlined a number of actions put in place, whose aim was to deliver a steady runrate and build sustainability, and she provided assurance that FIC would be kept fully updated of the position each month. Clear targets and key performance indicators (KPIs) were being developed for each workstream, which would also be reported to the appropriate Board Committee – more detail on that process would be provided to the August 2023 FIC.

In response to Non-Executive Director queries, the Chief Financial Officer acknowledged that the current position was undoubtedly challenging, and would not be mitigated unless appropriate actions were taken. She also provided assurance that pay processes had improved, although she recognised

that there was still room for further work. The Chief Financial Officer also advised that further information on productivity elements of the Cost Improvement Programme would be provided to the August 2023 FIC.

The CIP and capital expenditure positions for the year to date as at month 3 were also covered in detail in other reports on the FIC agenda (as outlined below). The month 3 report also incorporated an update on progress towards exiting the Recovery Support Programme.

***The 2023/24 month 3 financial position and associated risks are highlighted to the Trust Board for information.***

#### 3.4 **2023/24 month 3 capital update** (mitigating BAF risk 6)

The Trust had delivered year to date gross capital expenditure of £9.2m at month 3 against a plan of £15.6m, representing an underspend against plan of £6.4m. As previously reported, this underspend was primarily due to the profiling of the East Midlands Planned Care Centre spend, and was also impacted by UEC wards developments, slippage on the Linac programme, and IFRS16 finance leases. As in month 2, FIC received continued positive assurance from the Deputy Director of Finance (Financial Services) that the Trust was forecasting to deliver on its revised 2023/24 capital programme of £97.4m, and he noted that further detailed discussions were scheduled with the capital subgroup leads on 31 July 2023. However, he advised FIC that there was significant risk as a consequence of the limited capital resource available to fund statutory requirements, service continuity and essential equipment and Estates infrastructure. The 2023/24 Capital Plan had been prioritised and risk assessed to mitigate the lack of available funding in 2024/25 and ensure that the resource was applied to minimise the service and compliance risk. FIC was also sighted to a number of significant risks (and their quantum) to the Trust's 3-year capital plan, which had emerged since that plan was developed. The month 3 report also contained a detailed assessment of the IM&T capital position and related risks.

FIC also approved a number of recommendations from the Capital Monitoring and Investment Committee, relating to the refurbishment of Ward 14; the SIM Suite; eQUIP refresh, and the proposed establishment of separate capital sub-groups for research and education.

The FIC Non-Executive Director Acting Chair suggested that it would be useful to hold a dedicated Trust Board workshop session on capital, and it was agreed to progress this towards the end of the 2023 calendar year.

***The 2023/24 month 3 capital position and associated risk, and FIC's support for a dedicated Trust Board workshop on capital, are highlighted to the Trust Board for information.***

#### 3.5 **2023/24 Cost Improvement Programme (CIP) delivery** (mitigating BAF risk 7b)

FIC received assurance that the Trust was continuing to focus on delivery of the very challenging £63m cash-releasing CIP target for 2023/24. In an improvement from month 2, an overview of CIP delivery for month 3 identified that the Trust had achieved cash-out CIP savings of £2.411m against a plan of £1.496m, a favourable variance of £0.915m. Schemes totalling £17m were now on the Clinical Management Group CIP tracker, which was welcomed. An outturn of £51.7m was currently being forecast for 2023/24, and work was underway to bridge the gap. The Director of Productivity reiterated the extremely challenging nature of the 2023/24 CIP target, and advised FIC that month 4 performance was anticipated to be less strong than in month 3. A scheme risk profile review of the programme would be presented to the August/September 2023 FIC. The FIC Non-Executive Director Acting Chair voiced concern at both the significant back-ending of the 2023/24 CIP plan, and at the recurrent/non-recurrent split of schemes, querying the impact of the latter on 2024/25 and beyond. He also sought assurance on the level of CIP collaboration across the ICB, and opportunities such (eg) the urgent and emergency care pathway. In response, the Director of Productivity advised that he was relatively confident of the central schemes which comprised most of the 2023/24 programme back-ending; the position would be clearer, however, following the scheme risk profiling exercise referred to above. Although recognising that some back-ending was unavoidable due to the nature of the process, the Chief Financial Officer provided assurance that the Trust was looking to bring forward financial planning, with the intention of discussing a 2024/25 budget at the September 2023 FIC.

In response to other Non-Executive Director queries, the Director of Productivity acknowledged that some CMGs were unlikely to deliver the month 4 requirement, and he outlined the support and escalation steps in place for such areas.

**Items for noting**

- 3.8 The following items were received and noted:
- updated list of in-year investments/approvals, and
  - Procurement Contracts Committee update, and
  - Trust Leadership Team agenda from 25 July 2023 and TLT actions from 11 July 2023.

**4. Date of next meeting: 25 August 2023**