

Trust Board paper F

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 1 MARCH 2012

COMMITTEE: Finance and Performance Committee

CHAIRMAN: Mr I Reid, Non-Executive Director

DATE OF COMMITTEE MEETING: 25 January 2012. A covering sheet outlining the key issues discussed at this meeting was submitted to the Trust Board on 2 February 2012.

PUBLIC RECOMMENDATIONS MADE BY THE COMMITTEE FOR CONSIDERATION BY THE TRUST BOARD:

None.

OTHER KEY ISSUES IDENTIFIED BY THE COMMITTEE FOR CONSIDERATION/ RESOLUTION BY THE PUBLIC TRUST BOARD:

- **NONE**

DATE OF NEXT COMMITTEE MEETING: 22 February 2012

**Mr I Reid – Non-Executive Director
23 February 2012**

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

**MINUTES OF A MEETING OF THE FINANCE AND PERFORMANCE COMMITTEE
HELD ON WEDNESDAY 25 JANUARY 2012 AT 9.15AM IN THE BOARD ROOM, VICTORIA
BUILDING, LEICESTER ROYAL INFIRMARY**

Present:

Mr I Reid – Non-Executive Director (Committee Chair)
Mrs S Hinchliffe – Chief Operating Officer/Chief Nurse (up to the end of Minute 18/12/3 and for Minute 18/12/5)
Mr R Kilner – Non-Executive Director
Mr A Seddon – Director of Finance and Procurement
Mr J Shuter – Deputy Director of Finance and Procurement
Mr G Smith – Patient Adviser (non-voting member)
Dr A Tierney – Director of Strategy
Ms J Wilson - Non-Executive Director

In Attendance:

Mrs K Bradley – Director of Human Resources
Mr R Gillingwater – Associate Director Procurement and Supply (Interim) (for Minute 18/12/5)
Ms H Stokes – Senior Trust Administrator

RESOLVED ITEMS

ACTION

14/12 APOLOGIES FOR ABSENCE

Apologies for absence were received from Dr K Harris, Medical Director and Mr M Lowe-Lauri, Chief Executive.

15/12 MINUTES AND ACTION SHEET

Resolved – that the Minutes and action sheet of the Finance and Performance Committee meeting held on 4 January 2012 be confirmed as a correct record.

16/12 MATTERS ARISING

The following items were noted in respect of the matters arising report at paper B:-

- (a) Minute 3/12 – as previously agreed, quarterly CQUIN performance updates would continue to be provided, noting their retrospective nature. In respect of quarter 2 performance UHL had entirely met 49/61 metrics – of the 12 remaining metrics being disputed with Commissioners 3 had now been resolved in UHL's favour, penalties had been lessened on 6 and the remaining 3 were not met (penalty approximately £90k, the majority of which related to performance on doctors' letters). Disputes were resolved through negotiation with Commissioners rather than involving a third party such as the SHA. In response to a query on accounting for CQUIN when the quarter 4 position would not be resolved by year-end, the Director of Finance and Procurement advised that UHL would include its view on likely penalties. Members noted the significant quantum of the 2012-13 CQUIN targets, equal to 2.5% of income;
- (b) Minutes 3/12 and 108/11 – the update on Consultant jobplanning and improving relations had been deferred in light of the Medical Director's absence. In discussion, the Finance and Performance Committee requested a detailed update at its February 2012 meeting, confirming how far the Consultant contract had been renegotiated over the last 24 months (by month and by CBU), and showing the impact and outputs of increasing the number of DCC PAs. Members agreed that progress on this issue should not wait for the outcome of the current capacity planning work, and Executive Directors agreed to pursue this accordingly with Divisional Directors. Finance and Performance Committee members also requested confirmation of the cover arrangements during the Medical Director's absence;

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EDs

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- (c) Minute 5/12/1 – the absolute nature of the previously-reported 2012-13 targets for CDT and MRSA had been confirmed. Discussions were now taking place with Commissioners re: the proposed apportionment of the targets through the year, as PCTs' suggested equal spread per quarter was not thought feasible given the nature of the bacteraemia. In response to a query the Chief Operating Officer/Chief Nurse advised that epidemiological issues – rather than any widespread failure in infection prevention practice – were now at the root of any such cases. She also noted that widespread MRSA screening in the community was not cost-effective;
- (d) Minute 5/12/1 – the Director of Finance and Procurement tabled a sheet illustrating the PLICS impact of the requested coding and counting changes;
- (e) Minute 5/12/4 – certain patient experience indicators were included in the LLR emergency/urgent care flash report, and the Chief Operating Officer/Chief Nurse had also raised the Finance and Performance Committee's request for all involved partners to have flash reported targets at the ECN Board. Internally, ambitious draft metrics were now in place for UHL's assessment units and diagnostics – these would be circulated to members for information;
- (f) Minute 141/11/2 – the issue of KPIs for the transformation schemes was now being progressed by the Transformation Support Office and Transformation Board, and
- (g) Minute 142/11/4 – a 1-page schematic of how UHL's strategic initiatives interlinked was now available and was covered in the business planning update below. This item could be removed from the matters arising log therefore.

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Resolved – that the matters arising report and any associated actions above, be noted.

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16/12/1 Clinical Support Division Presentation (Minute 4/12)

Resolved – that this item be classed as confidential and taken in private accordingly.

17/12 **PATHOLOGY JOINT VENTURE**

Resolved – that this item be classed as confidential and taken in private accordingly.

18/12 **2011-12**

18/12/1 Report by the Director of Human Resources

Resolved – that this item be classed as confidential and taken in private accordingly.

18/12/2 Quality Finance and Performance Report – Month 9

Paper E provided an overview of UHL's operational, quality, HR and finance performance against national, regional and local indicators for the month ending 31 December 2011 (month 9). As per recommendations from External Audit, the narrative accompanying the report now differed between the Finance and Performance Committee and GRMC, focusing on finance issues and on quality issues respectively. In introducing paper E (and prior to discussion on its financial elements), lead Executive Directors noted the following issues by exception:-

- (1) progress on the additional endoscopy activity to deliver new referral to treatment (RTT) targets, including the extension of the Medinet contract (which was no longer running at a loss). In responding to a query, views differed as to the extent to which the additional activity required could be accommodated internally by UHL;
- (2) UHL's successful maxillo-facial and orthopaedics bids in respect of national activity monies – the outcome of the winter pressures bids was available later in the meeting and reported verbally in Minute 18/12/3 below. The Chief Operating Officer/Chief Nurse noted the significant expenditure already incurred by UHL as a result of having to open extra capacity to cope with LLR winter pressures;
- (3) a request from a neighbouring Trust for UHL to undertake additional MSK activity;
- (4) UHL's 'green' status on all reported performance lines, which was welcomed. New breast screening targets and cancelled operations were potential issues for

concern, however (the former due to initial recruitment difficulties). UHL had halved the number of such cancellations in recent weeks – in response to a query, the Chief Operating Officer/Chief Nurse advised that this progress was due to having reiterated the process to staff and clarifying responsibilities, together with conducting a root cause analysis of each cancelled operation, and

- (5) the rise in the Trust's sickness absence rate, noting the likely seasonal impact. The Director of Human Resources noted that following a review of staff on sickness absence 'triggers', those on the highest number of such triggers had been found to be in areas with consistent low overall sickness absence rates. In her capacity as Workforce and Organisational Development Committee Chair, Ms J Wilson Non-Executive Director also noted that two Divisions would present their sickness absence plans to that Committee in March 2012.

In further discussion on the month 9 quality finance and performance report, the Finance and Performance Committee noted a query from Mr R Kilner, Non-Executive Director re: ED performance and likely year-end delivery of this target – in response the Chief Operating Officer/Chief Nurse considered that recent red performance reflected normal variation; she also noted that bed availability was not necessarily the cause of red performance. The Finance and Performance Committee discussed a number of related issues in Minute 18/12/2.1 below.

The Director of Finance and Procurement then reported on UHL's financial position for month 9 as detailed in paper E, noting the in-month break-even. Pay expenditure controls remained in place, with further reductions required in such expenditure. Discussions continued with Commissioners regarding both the 2011-12 position and the 2012-13 acute contracting round. The Director of Finance and Procurement also drew the Finance and Performance Committee's particular attention to his concerns regarding:-

- (i) the continuing variable standard of Divisional/CBU forecasting;
- (ii) in-month changes to the financial position of the ECMO service, which required further exploration;
- (iii) a non-pay contractual issue currently being pursued with a named supplier, and;
- (iv) variable Divisional performance in respect of the additional savings allocated to them at the November 2011 Finance and Performance Committee, with Acute Care in particular requiring significant further attention.

In discussion on the month 9 financial position, members noted:-

- (a) a query from Mr R Kilner, Non-Executive Director on the reasons for the significant in-month variation re: clinical suppliers and services. The Director of Finance and Procurement noted the impact of outsourcing and of orthopaedic activity, and agreed to circulate an explanatory briefing note outside the meeting;
- (b) a query from Mr R Kilner, Non-Executive Director regarding unpaid and uncommissioned physio- and occupational therapy activity. The Director of Finance and Procurement confirmed that this significant service issue had been raised with Commissioners, and particularly noted the productive acute contract meeting held with them on 24 January 2012. The Finance and Performance Committee noted the need for such uncommissioned activity to be detected and highlighted earlier within the Trust, and queried also whether this particular service issue was on UHL's organisational risk register. Members further discussed the potential future options for the service, noting the scope for community activity. Ms J Wilson, Non-Executive Director and Workforce and Organisational Development Committee Chair emphasised the need for appropriate UHL contingency plans to be in place re: this service, and the Director of Finance and Procurement reconfirmed his confidence that the issue would be resolved by the end of February 2012, and
- (c) comments from the Committee Chair regarding the 19% red/amber rating of the outstanding 2011-12 CIP schemes. He also voiced concern at the number of those schemes which related to paycost issues. In discussion, the Director of Finance and Procurement advised that the Transformation Support Office's subsequent reassessment of CIP schemes had dramatically reduced the number with a red/amber rating.

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Resolved – that (A) the quality finance and performance report for month 9 (month ending 31 December 2011) be noted, and

(B) an explanation for the in-month variance on clinical suppliers and services be provided to members outside the meeting.

DFP

18/12/2.1 Report by the Chief Operating Officer/Chief Nurse

Resolved – that this item be classed as confidential and taken in private accordingly.

18/12/3 Stabilisation to Transformation – Financial Recovery Update

Paper F updated the Finance and Performance Committee on progress against the Trust's 2011-12 financial recovery plan and on the additional actions being taken to mitigate financial risks. Section 2.3 of the report highlighted the range of upside and downside scenarios, and the Director of Finance and Procurement noted that continuing challenges to the Trust's financial position included:-

(i) the potential outcome of UHL's bids for national winter activity monies (in light of the expenditure already incurred by UHL as a result of opening extra winter activity capacity). In the course of this discussion notification was received of the outcome of those bids – that outcome was disappointing for the Trust on a number of aspects, particularly given the number of additional beds which had been required to be opened. The Finance and Performance Committee voiced its disappointment at this development, the implications of which would be discussed further with Commissioners by the Director of Finance and Procurement;

DFP

(ii) variable Divisional performance in delivering the additional CIP target identified at the November 2011 Finance and Performance Committee meeting, and

(iii) ongoing discussions with Commissioners to address UHL's underlying baseline position, including resolution of counting and coding changes identified by the Trust. Helpful and positive discussions had been held with Commissioners on 24 January 2012, with a further contracting meeting also planned for 27 January 2012. The Director of Finance and Procurement also commented on the financial position of the overall LLR healthcare economy.

Resolved – that (A) the Finance and Performance Committee's disappointment at the outcome of UHL's bids for national winter activity monies be noted, and

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(B) the implications of the outcome of those bids be discussed further with the PCT Director of Finance.

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18/12/4 Report by the Director of Human Resources

Resolved – that this item be classed as confidential and taken in private accordingly.

18/12/5 Purchasing Workstreams – Update

The Associate Director Procurement and Supply (Interim) attended for discussion on the procurement-related savings initiatives being undertaken within UHL (paper H). Moving forward into 2012-13, work would focus on improving collaboration with other Trusts and adopting flexible and creative approaches to procurement, thus also increasing the scope for significant economies of scale. For 2011-12, potential procurement-related savings of £7.8m had been identified, covering aspects such as agency staffing, medical and surgical consumables, and non-clinical consumables such as printing and stationery. Paper H indicated non-compliant purchasing (excluding locums) of £190k and work continued to drive down this figure. In discussion on procurement savings and processes, the Finance and Performance Committee:-

(a) emphasised the need to have appropriately robust authorisation limits in place, in terms of which staff could either place or authorise orders. It was agreed to circulate a list of staff able to authorise orders (and their authorisation limits) to members for information. The Director of Finance and Procurement assured the Committee that an appropriate scheme of delegation was in place, although recognising that the capacity for 'free text' ordering posed certain challenges – work continued, however, to reduce the level of off-catalogue/off-contract use. On this latter point, the Finance and Performance Committee suggested identifying a timescale for CBUs to reduce such use;

DFP

(b) noted (in response to a query from the Committee Chair) that medical locum invoicing was not centralised (although booking was) – this was being reviewed;

(c) requested that the next Finance and Performance Committee update on procurement also provide appropriate assurance that a robust process was in place for the authorisation of invoices;

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(d) queried the resource implications of potential changes to the structure of the procurement team (eg potentially moving away from a centralised team). The Director of Finance and Procurement briefly outlined forthcoming management of change processes and confirmed that he would be seeking a permanent head for the future procurement function;

(e) noted the need to modernise the 'services' side of UHL procurement systems;

(f) noted (in response to a query) the regular meetings held to discuss procurement issues with Divisional/CBU managers. The Procurement Team would also liaise with the Transformation Board (as appropriate) on any procurement elements of UHL's transformational schemes. Noting the support required for certain major UHL initiatives such as FM procurement, the Director of Strategy queried whether sufficient capacity existed in the procurement team at present;

(g) noted the need to expand the remit of the Clinical Procurement Group (chaired by Dr P Spiers), to cover more of UHL's overall procurement spend, and

(h) noted discussions planned with suppliers re: UHL's year-end cash position.

Resolved – that (A) a list of UHL staff authorised to sign off purchase orders (and their approval limits) be circulated to members for information, and

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(B) the next scheduled Finance and Performance Committee update on procurement also provide assurance that an appropriate process was in place re: invoice authorisations.

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19/12 2012-13

19/12/1 2012-13 Annual Financial Plan and Acute Contract Negotiations

In response to a query from the Committee Chair, the Director of Strategy confirmed that the UHL annual plan for 2012-13 did take appropriate account of crucial linkages to the Trust's Estates Strategy (which itself a key transformational scheme).

Resolved – that the update at paper I on the 2012-13 annual financial plan and acute contract negotiations, be noted.

19/12/2 2012-13 UHL Cost Improvement Programme (CIP) Schemes – First Cut

In light of the limited time now available to discuss this item, members agreed to send any specific questions on paper J to the Director of Finance and Procurement for resolution outside the meeting. Mr R Kilner Non-Executive Director considered that there was scope

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for further efficiencies which had not yet been identified in the first cut CIPs. The Director of Finance and Procurement tabled the breakeven 'cross-over' graph previously requested by the Finance and Performance Committee Patient Adviser member.

Resolved – that any specific queries on the first cut of UHL's CIP 2012-13 schemes (as shown in paper J) be sent to the Director of Finance and Procurement for resolution outside the meeting.

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19/12/3 Elective Care Bundle – Community Activity Tender

Paper K from the Director of Strategy advised the Finance and Performance Committee of progress on the elective care bundle advertised for expressions of interest on 20 December 2011. In light of the significant activity involved, it was agreed that this would remain on each Finance and Performance Committee agenda as a standing monthly update. In brief discussion the Director of Strategy advised members that the scheduled provider day had been cancelled, and she also noted the differing approaches between the CCIGs in terms of the extent to which a formal tender process was being used.

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Resolved – that an update on the elective care bundle tender process be a standing Finance and Performance Committee item.

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20/12 **TRANSFORMATION BOARD TERMS OF REFERENCE**

The Finance and Performance Committee proposed the following amendments to the draft terms of reference (and operating principles) for the Transformation Board (paper L):-

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- (a) including the Transformation Director as a member;
- (b) inclusion of further detail on the Transformation Board's overarching role in planning/shaping/interlinking the Trust's various transformation schemes;
- (c) increasing the quorum to greater than the currently-suggested 5 members;
- (d) inclusion of a specific role on reviewing linkages between headcount work and UHL's transformation schemes, and
- (e) altering the basis of the proposed RAG rating mechanism for CIPs. The Finance and Performance Committee Chairman advised that as currently submitted it suggested that the rating would be based around agreed fixed financial parameters – as the schemes being monitored would range considerably in financial scope he suggested that a %-based analysis should be considered to ensure consistency of approach.

Resolved – that the Transformation Board terms of reference be revised to reflect the comments above.

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21/12 **MINUTES FOR INFORMATION**

21/12/1 Confirm and Challenge

Resolved – that the action notes of the 21 December 2011 Confirm and Challenge be received for information.

21/12/2 Governance and Risk Management Committee

Resolved – that the Minutes of the 4 January 2012 Governance and Risk Management Committee be received for information.

21/12/3 Quality and Performance Management Group

Resolved – that the action notes of the 7 December 2011 Quality and Performance Management Group be received for information.

22/12 **ITEMS FOR DISCUSSION AT THE NEXT FINANCE AND PERFORMANCE COMMITTEE MEETING**

Paper P comprised a draft agenda for the 22 February 2012 Finance and Performance Committee. This was approved, subject to additional updates on the following (as agreed above):-

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- the issues within confidential Minute 17/12 above;
- elective community activity tender (monthly update), and
- draft UHL annual operational plan 2012-13.

Resolved – that the Finance and Performance Committee agenda for 22 February 2012 be approved, subject to the additional updates agreed above.

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23/12 ANY OTHER BUSINESS

23/12/1 2011-12

Although noting the challenging discussions held at today's meeting, Committee members reiterated their support for the work by the Director of Finance and Procurement and his team in respect of 2011-12 financial delivery requirements.

Resolved – that the position be noted.

23/12/2 UHL Bids for National BRU Monies

The Director of Finance and Procurement briefed members verbally on the outcome of UHL's bids for national BRU monies.

Resolved – that the verbal update be noted.

24/12 IDENTIFICATION OF ANY KEY ISSUES FOR THE ATTENTION OF THE TRUST BOARD

It was agreed to highlight the issues discussed in confidential Minutes 18/12/1 and 18/12/2.1 to the confidential Trust Board session on 2 February 2012.

FPC
CHAIR

Resolved – that the Chair of the Finance and Performance Committee be requested to bring the above referenced confidential matters to the attention of the private Trust Board at its meeting on 2 February 2012.

FPC
CHAIR

25/12 DATE OF NEXT MEETING

Resolved – that the next Finance and Performance Committee meeting be held on Wednesday 22 February 2012 at the earlier start time of **8.15am** in the Board Room, Victoria Building, Leicester Royal Infirmary.***

***** please note the venue of this meeting and the earlier start.**

The meeting closed at 12.30pm

Helen Stokes
Senior Trust Administrator