

<b>Meeting title:</b>	Trust Board	<b>Public Trust Board paper H3</b>			
<b>Date of the meeting:</b>	11 April 2024				
<b>Title:</b>	<b>Escalation Report from the Finance and Investment Committee (FIC): 22 March 2024</b>				
<b>Report presented by:</b>	Andrew Moore, FIC Non-Executive Director Chair				
<b>Report written by:</b>	Matthew Reeves, Corporate and Committee Services Officer				
<b>Action – this paper is for:</b>	Decision/Approval	X	Assurance		Update
<b>Where this report has been discussed previously</b>	Not applicable				

<b>To your knowledge, does the report provide assurance or mitigate any significant risks? If yes, please detail which</b>		
<b>Yes. BAF risks within the remit of FIC are listed below:</b>		
<b>BAF ref</b>	<b>Risk Cause</b>	<b>Risk Event</b>
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

<b>Impact assessment</b>	
N/A	
Acronyms used: BAF – Board Assurance Framework CIP – Cost Improvement Programme	FIC – Finance and Investment Committee 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**

There are no items from the meeting of FIC on 22<sup>nd</sup> March 2024 requiring public Trust Board approval.

**3. Summary**

The FIC meeting was quorate. Items from the FIC meeting of 22<sup>nd</sup> March 2024 are summarised below.

## **Discussion items:**

### **3.1 Board Assurance Framework**

FIC received the BAF strategic risks which aligned to its terms of reference and noted updates with respect to controls, gaps, and key next steps. There were no significant changes proposed to risk scores or content and the risks were noted as:

- strategic risk 6 (Insufficient capital funding) current rating was 20, tolerable rating was 15 and target rating was 9;
- strategic risk 7b (*Significant financial challenge across the LLR system over the next 3 years, to meet both operational and inflationary pressures, may result in failure to deliver in line with the MTFP and achieve long term financial sustainability*) current rating was 20, tolerable rating was 12 and target rating was 8;
- strategic risk 8 (IT Infrastructure unfit for the future) current rating was 16, tolerable rating was 12 and target rating was 9;
- strategic risk 9 (Estate Infrastructure unfit for the future) current rating was 16, tolerable rating was 12 and target rating was 9.

### **3.2 ICB Finance Update**

Due to the earlier than usual FIC meeting, there wasn't an ICB finance update presented, but System financial matters would be picked up in discussion on other items on the agenda.

### **3.3 2023/24 Month 11 Financial Position (mitigating BAF risk 7a)**

FIC received details regarding the in-month surplus of £11.3m which was driven by the receipt of £10m deficit funding provided by NHSE, and other income of £6.7m to cover the December / January period of industrial action. The industrial action income however did not cover the entire costs arising. However, this income was exceptional and if taken out as a factor, the financial trajectory was £2.9m adverse to plan, arising from UEC costs, unfunded industrial action costs as well as other organisational impacts. The forecast deficit agreed by the Trust Board of £49.3m had been submitted to NHSE. An emerging financial risk was noted regarding Health Care Support Worker banding. A further financial risk was noted arising from lower than expected Public Dividend Capital depreciation funding. An income issue was also being discussed with System partners, which may also impact on the final outturn position.

The Chief Financial Officer noted some slight positive indicators for February as the pay bill remained flat and elective income was at the highest level for the whole year.

Noting the lack of clarity regarding the income issue being discussed with System partners, FIC was informed that the forecast process was being independently reviewed and a report would be submitted to FIC on lessons learnt.

FIC considered the cash position noting current positive position, but it was confirmed that there would still be a requirement to continue with the application for revenue support funding for the new financial year. An explanation was requested to be provided to FIC as to how the Trust appeared to be moving from a positive cash position to a forecast negative position in a short period of time.

FIC noted that the current financial position had some level of volatility, and recommended measures to provide protection to manage the volatility be explored.

*This discussion is highlighted to Trust Board.*

#### **3.4 CIP 2023/24 Delivery** *(mitigating BAF risk 7b)*

FIC received confirmation that the 2023/24 programme was now winding down having achieved its target of £63m. Planning for the forthcoming year was now the priority focus, where a challenging total for the programme was anticipated, as well as the ongoing challenge to improve recurrency. Draft savings targets for Clinical Management Groups (CMGs) had now been identified for 2024/25 and these would be communicated when confirmed and worked through as the year progressed.

FIC discussed the process for determining the level of target, noting that planning for the forthcoming year had been a collaborative process with CMGs, based on recurrent budgets where factors such as pay and income opportunities were taken into account, which had proven to be preferred to the previous process.

In discussing lessons learnt from the current year, the importance of early budget setting for a programme was noted and this had improved for the coming year, and there was scope for further improvement.

In terms of monitoring the programme over the coming year, FIC requested that leads for targets be identified to improve accountability.

#### **3.5 2023/24 Month 11 Capital Position** *(mitigating BAF risk 6)*

There had been a considerable increase in committed expenditure in M11, which was mostly due to funding received for LED lighting, an AI diagnostic fund and £6m received from System funds which had become available due to underspends elsewhere in the NHS. This System funding had enabled schemes such as the Linear Accelerator, combined heat and power improvements and medical equipment to be brought forward, which was welcomed, but it was noted that did create further spending commitments for the forthcoming year. The additional capital funding was agreed on the basis of contributions to productivity and also the revenue position and the implications arising were being worked through. Medical equipment schemes would still be considered replacement if productivity could not be shown to be improved.

FIC considered and approved 2 schemes recommended by the Capital Monitoring and Investment Committee; a Trust General Holdings pharmacy premises improvement scheme and funding for an aseptic suite where it was noted there was a commitment to match funding by the Trust, but this scheme could attract further national funding.

#### **3.6 Financial Ledger and Reporting Internal Audit Report**

FIC considered the annual audit review of the Financial Ledger and Reporting processes. A moderate opinion had been received where 13 actions had been identified, of which 4 had already been completed and 9 were expected to be completed by the end of March 2024. It was anticipated that having embedded the recommended actions a significant assurance opinion would be achieved in the following year.

FIC welcomed the progress made, and were assured that the opinion had been discussed in some detail with the auditors and there was confidence that the actions would be delivered, maintained and the service was now in a better place to achieve a better assurance in opinion in future, which would also be viewed more positively by external auditors.

### **3.7 2024/25 System Capital Planning Prioritisation**

FIC noted that the capital plan, with regard to the System funding envelope had now largely been defined, ready for final approval. There had been some recent changes to the plan which added schemes related to high-risk compliance issues, such as relating to maintenance. This had added extra funding requirements to the plan, but in mitigation there had been some schemes deferred and other sources of funding identified. It was noted that the capital plan could grow in-year as further funding becomes available, such as for digitisation. Following the challenging, but constructive discussions to develop the 2024-25 capital plan, focus would now turn to the development of the 3-year capital plan. It was further noted that the BAF had informed the priorities for the capital plan in order to manage identified risks. FIC was assured by processes followed to draw up the capital plan.

Assurance was provided that revenue implications were considered when putting forward schemes for the plan.

It was noted that the plan as it currently stood was not fully funding, whilst this gap had been reduced, it hadn't been eliminated. All schemes on the plan were considered as important, but funding was prioritised to those schemes considered most necessary.

Further assurance was provided that the major risks facing the Trust had been identified and these had been prioritised for mitigating schemes to be included in the capital plan.

FIC undertook a detailed discussion on preparedness for the opportunity to bring schemes forward should funding become available mid-year. It was noted that preparing business cases in a short time frame carried a high level of risk, but equally there wasn't capacity to prepare significant numbers of business cases for funding which may not come to fruition. There was however a challenge to strategically plan for likely sources of national funding and have business cases ready for high priority schemes.

## **4 Items for noting**

The following items were received and noted:

- 2023-24 TLT Approved Investments
- TLT agenda and actions