

Meeting title:	Trust Board				
Date of the meeting:	9 May 2024				
Title:	Escalation Report from the Finance and Investment Committee (FIC): 26 April 2024				
Report presented by:	Jeff Worrall, Acting FIC Non-Executive Director Chair				
Report written by:	Gill Belton, Corporate and Committee Services Officer				
Action – this paper is for:	Decision/Approval	X	Assurance		Update
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
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 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 **two** items from the meeting of FIC of 26 April 2024 requiring public Trust Board approval (please see 3.1 and 3.2 below).

3. Summary

The FIC meeting was quorate. Items from the FIC meeting of 26 April 2024 are summarised below.

Recommended 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 was one significant change proposed in terms of a request to approve an adjusted risk score in respect of **BAF risk 6**, as below, and the key risks were noted as:-

BAF risk 6 (*Insufficient capital funding*) – this risk had been reviewed with an update to key next steps concerning sign-off and approval of the annual capital plan. The CFO requested FIC approval of an adjusted current risk score: to reduce the likelihood from 5 (almost certain) to 4 (likely). The revised risk score would be: Likelihood 4 (likely) x Impact 4 (major) = 16.

FIC approved this adjusted risk score and recommended it to the Trust Board for formal approval at its meeting on 9 May 2024.

BAF risk 7b (*Significant financial challenge across the LLR system to meet both operational and inflationary pressures*) – this risk had been reviewed with an update to key next steps to rollout rebased establishments including budget holder training and guidance; there are no significant changes to report this period and no proposed changes to the risk scores of current rating of 20, tolerable rating of 12 and target rating of 8.

BAF risk 8 (IM&T) – (*IT infrastructure unfit for the future may result in Unable to provide safe, high quality, modern healthcare services*) – The risk has been reviewed; there are no significant changes to report this period and no proposed changes to the risk scores of current rating of 16, tolerable rating of 12 and target rating of 9.

BAF risk 9 (Estates & Facilities) (*Estate infrastructure unfit for the future may result in Unable to provide safe, high quality, modern healthcare services*) – The risk has been reviewed with a new gap identified around capacity and capability within the asset management team; there are no significant changes to report this period and no proposed changes to the risk scores of current rating of 16, tolerable rating of 12 and target rating of 9.

3.2 FIC Annual Report 2023/24

The information contained within the FIC Annual Report 2023/24 (covering the period 1.4.23 to 31.3.24) provided assurance that FIC meetings had covered all essential areas within its remit, which were also aligned with best practice and its terms of reference.

The 2023/24 FIC annual report is endorsed and recommended for Trust Board approval. A standalone report features on the 9 May 2024 Trust Board agenda accordingly.

Discussion items:

3.3 ICB Finance Update

Due to year end reporting timelines, the System Finance Team was yet to receive a full update and information detailed in the report received by FIC was draft in nature and subject to change. The contents of the report were received and noted.

3.4 2023/24 Month 12 Financial Position *(mitigating BAF risk 7a)*

FIC received and noted the contents of a report detailing the financial performance of the Trust at Month 12 of 2023/24, noting the Month 12 deficit position of £52.8m. The year end position for the Trust was a deficit of -£52.8m (subject to audit) which was £17.4m worse than the NHSE forecast. This was driven by UEC pathway (£5.3mA), IA costs not funded £2mA, loss of NHSE income for PDC/Depn £2.5mA, increases to provisions £6.8mA and other small variances of £0.7mA.

The pay bill and worked WTEs had increased over the financial year. Detailed work was ongoing in analysing the reasons for this increase and there would be sustained focus on reducing non-substantive pay costs moving into 2024/25.

CIP delivery for the financial year was £64.2m which was £1.2m greater than plan. Of this delivery, £24.6m was recurrent and £39.6m was non recurrent.

The Trust had achieved its statutory financial duty to maintain capital expenditure within its allocated capital resource limit of £115m by spending £114.9m on approved schemes. This included committing expenditure of £45m in M12.

3.5 Improvements to 2024/25 Financial Forecasting

FIC received and noted the contents of a report which detailed the lessons learned from 2023/24 financial planning and forecasting, and the actions recommended in 2024/25 to improve forecasting. In summary, the variance to plan / revised forecast was driven by risks already identified that subsequently materialised, or items that were unknown at both the time of developing the annual plan and during creation of the revised forecast in November 2023. To ensure that delivery of the 2024/25 financial plan was increasingly robust, the report outlined several actions, both organisational-wide and those specific to the Finance Team to improve in-year forecasting processes. Particular discussion took place regarding the creation of a reserve and the alignment of rosters to budgets. FIC were assured that the actions outlined would support more accurate financial forecasting in the 2024/25 financial year.

3.6 2023/24 Month 12 CIP Delivery *(mitigating BAF risk 7b)*

FIC received confirmation that the Trust was forecasting to achieve its 2023/24 CIP target of £63m. M12 Forecast Outturn had improved to £64.2m, which was a £0.6m improvement on Month 11. All schemes by value had now been through the full PID and QIA process and all schemes were at no or minimal risk levels, which was consistent with Month 9. Recurrent CIP had improved from £24.2m in Month 11 to £24.6m in Month 12.

3.7 2023/24 Month 12 Capital Position *(mitigating BAF risk 6)*

FIC received and noted the contents of a report confirming delivery of the Month 12 capital position against forecast. The Trust had achieved its statutory financial duty to maintain capital expenditure within its allocated capital resource limit of £115m by spending £114.9m on approved schemes. This included committing expenditure of £45m in Month 12, including

monies made available by the System in the last few weeks of the year, which was able to be applied for essential operational equipment that would help improve services to patients. FIC recognised and commended the significant efforts involved in this achievement.

4. Items for Noting

The following items were received and noted:

- Procurement Contracts Committee – Contract Awards Update Report
- 2023/24 TLT Approved Investments
- TLT agenda and actions
- Finance Restructure KPIs

With regard to the Finance Restructure KPIs, in light of the significant progress made to date, FIC agreed that future iterations of this report should focus only on 5 to 8 key KPIs and that this report should be submitted to FIC on a bi-annual basis.