

Cover report to the Trust Board meeting to be held on 1 July 2021

Trust Board paper N4

Report Title:	Finance and Investment Committee – Committee Chair’s Report
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Reporting Committee:	Finance and Investment Committee (FIC)
Chaired by:	Andrew Johnson, Non-Executive Director
Lead Executive Director(s):	Simon Lazarus, Chief Financial Officer and Debra Mitchell, Acting Chief Operating Officer
Date of FIC:	24 June 2021

Summary of key public matters considered by the Committee:

This report provides a summary of the key public issues considered by the Finance and Investment Committee on 24 June 2021 (*involving Mr A Johnson FIC Non-Executive Director Chair; Col (Ret’d) I Crowe Non-Executive Director; Ms K Gillatt Associate Non-Executive Director; Mr I Orrell Associate Non-Executive Director; Mr B Patel Non-Executive Director; Mr M Williams Non-Executive Director; Ms D Mitchell Acting Chief Operating Officer; Mr R Cooper Financial Improvement Director; Mr B Shaw Director of Productivity; Mr J Shuter Director of Operational Finance, and Mr S Wombwell Financial Consultant [part].* Full Minutes will be issued prior to the July 2021 FIC and next Trust Board.

- 2021/22 month 2 financial performance including H1 forecast** – the Director of Operational Finance briefed FIC on the Trust’s year to date financial performance as at month 2, noting that the Trust was broadly in line with plan. The actual position (including Top Up funding) was a £3.8m surplus, which was £0.1m favourable to forecast and plan. The Trust’s cash position was currently strong, and a Cash Committee had now been set up to manage the anticipated tightening position as the year progressed. In response to a query from the FIC Non-Executive Director Chair, the Director of Operational Finance provided assurance that appropriate working capital processes were in place and agreed to confirm what was included in the non-NHS element of the 90-day receivables.

The Trust was also forecasting to deliver its H1 breakeven plan (current forecast position £1m surplus) – the assumptions behind that forecast excluded any Covid-19 3rd wave impact, currently did not include any Elective Recovery Funds (although associated H1 expenditure was included), and – as per national guidance - excluded Agenda for Change pay awards. In response to a query from Mr I Orrell Associate Non-Executive Director, the Director of Operational Finance advised that he was reasonably confident re: the H1 forecast and delivery, based on the review undertaken during month 2. He noted for information, however, that the H1 Health Education England allocation was not yet known. The Director of Operational Finance and the Acting Chief Operating Officer briefed FIC on system planning discussions re: Elective Recovery Funds (including the proportion assumed for UHL) and noted the need for further work on the implications of delivering the additional activity to qualify for the funding. Various gateways were also planned to validate the achievement of the Elective Recovery Fund thresholds. The quantum of the ERF monies was assumed as £6m across the system for 6 months. Mr M Williams Non-Executive Director emphasised the need for the Trust to maintain appropriate focus despite this and drive on its efficiency and CIP delivery, in addition to any additional appropriate income from ERF; this was strongly supported by all FIC Non-Executive and Executive Director members. The Acting Chief Operating Officer confirmed that additional activity should be viewed as an efficiency gain.

In further discussion on the month 2 finance report, both Mr M Williams Non-Executive Director and the FIC Non-Executive Director Chair queried the underspend and reduced payrate in light of the overactivity, and the FIC Non-Executive Director Chair voiced his concerns that the Trust continued to over-estimate paycosts and that there was a disconnect with the CIP. In response, the Director of Operational Finance acknowledged that there was scope to further improve the robustness of workforce forecasting in terms of recruitment profiling. The Acting Chief Operating Officer also provided further detail on how the current casemix and the (largely daycase and outpatient) activity profile was impacting on spend – this was also affecting the subsequent forecast upward non-pay trend which had been queried by Ms K Gillatt Associate Non-Executive Director. It was agreed that it would be helpful to include appropriate explanation of variances in the finance report executive summary going forward, to pre-empt future similar questions, and the Acting Chief Operating Officer noted the intention to move to a more integrated finance/activity authored report as part of wider governance changes. The Director of Operational Finance responded to a further technical accounting query from Ms K Gillatt Associate Non-Executive Director and provided assurance that appropriate checks were in place. The FIC Non-Executive Director Chair further queried the reason for the non-pay variance within Corporate Directorates and it was agreed to provide further detail in the month 3 report. Overall, the FIC Non-Executive Director Chair considered that the 2021/22 month 2 finance report indicated a steady position for the Trust.

The 2021/22 month 2 financial position is highlighted to the Trust Board for information.

- Becoming the Best Transformation and 2021/22 CIP update** – the Director of Operational Finance presented the report, which sought to clarify the journey from the original £37m of potential CIP opportunities identified for 2021/22 through the various developments to the current £20.1m (as a minimum) full year programme, explaining the reasons for the revisions and setting out the current position. Key factors included the continued impact of Covid-19, and changes to the national NHS financial framework for calculating the H1 financial plan. The Trust was currently forecasting to over-deliver on the £4.8m H1 CIP target (£7.234m forecast). The Acting Chief Operating Officer also noted that certain productivity savings (eg ERF) were not yet factored in. The original opportunities would be revisited and re-energised once ‘normal’ business resumed, and a report would be provided to the July 2021 FIC on those ‘paused’ opportunities and where they sat beyond H2. The FIC Non-Executive Director Chair strongly advocated developing short, medium, and long term savings plans, and he queried whether the ambition of the existing CIP plan was now thought to be appropriate. Mr B Patel Non-Executive Director considered that there was still some confusion over the actual numbers and how they had been reached, and he emphasised the need for clarity on the targets and key focus areas. This was supported by the Financial Improvement Director, who commented on the need for clear assurance that the Trust continued to work on driving those wider opportunities; he also strongly advised including a clear, simple and concise summary paragraph at the front of the report setting out the key target figures for 2021/22 - this was supported by the FIC Non-Executive Director Chair and other members who suggested also including a high-level gross to net summary. Mr M Williams Non-Executive Director also reminded the Trust of the crucial need to address UHL’s underlying deficit position, as per the Statutory Recommendations, which needed to be a key element of the CIP narrative. FIC Non-Executive Director members also commented on the relative complexity of the NHS CIP process overall. The FIC Non-Executive Director Chair considered that overall, UHL was making progress on the articulation of its CIP plan but that there was some way to go.
- Process for Development of a Medium-Term Financial Plan** – Mr S Wombwell Financial Consultant attended to brief FIC on the proposed process for developing a medium-term UHL financial plan. A task and finish group had been convened of key individuals, looking at the following key workstreams: a diagnostic on the drivers of the deficit (using the standard NHS process); long term financial modelling (again using the standard NHSE/I model); development of a 2-5 year savings programme at headline level, and linkages to other wider strategic, clinical, and planning work. Mr Wombwell Financial Consultant also outlined the challenges facing this work, including the need to develop local benchmarking (as national benchmarking information was based on the annual accounts and was therefore not yet available), the need to review and reflect reconfiguration investments, the need to appropriately prepare for issues such as the carbon neutral agenda, and the need to understand the split of UHL’s income in more detail, a significant level of which came from outside local Commissioners (eg from Specialised Commissioners, research and innovation, teaching etc). The FIC Non-Executive Director Chair welcomed this work and the logical process outlined, but voiced concern that the circa 8-week timescale was extremely challenging and reduced the scope for meaningful bottom-up input. Ms K Gillatt Associate Non-Executive Director welcomed the benchmarking work planned, which she felt would provide detailed and useful insights. It was agreed to receive an update on the development of the medium term UHL financial plan at the July 2021 FIC. ***This discussion is highlighted to the Trust Board for information.***
- Roadmap to Sustainable Financial Improvement** – the Financial Improvement Director presented the June 2021 iteration of the assurance roadmap, which was being further updated for the July 2021 Trust Board. Key risk 1 would be updated to reflect the agreed additional resource, although it was possible that the timescale for that overall risk would move further. The FIC Non-Executive Director Chair noted that risk 1 was not solely within UHL’s control. With regard to key risk 5, work continued to review grip and control issues against the appropriate national checklist to identify immediate priorities and a revised timescale for non-immediate actions. The key risk on the 2021/22 H1 financial position had now improved to be ‘green’ rated, and the FIC Non-Executive Director Chair agreed that this improvement was justified based on the H1 and CIP positions.
- Financial Recovery Board (FRB)** – FIC received and noted for information the action notes from the FRB meetings held on 26 May 2021, the actions from 9 June 2021, and the agenda from the FRB meeting on 23 June 2021.
- Items for noting** – the following reports were received for information:-

 - Transformation Team structure and strategy;
 - Executive Finance and Performance Board action notes from 25 May 2021, and
 - Executive Finance and Performance Board agenda from 22 June 2021.

Public matters requiring Trust Board consideration and/or approval:

Recommendations for approval

- none

Items highlighted to the Trust Board for information

- 2021/22 month 2 financial position;
- Process for developing a medium term financial plan.

Public matters referred to other Committees:

None

Date of next FIC meeting: 29 July 2021