

Trust Board paper J3

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 4 March 2021

COMMITTEE: Finance and Investment Committee (FIC)

CHAIR: Mr A Johnson, Non-Executive Director and FIC Chair

DATE OF COMMITTEE MEETING: 28 January 2021

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

- All items are recommended for Trust Board approval due to the meeting being inquorate.

OTHER KEY ISSUES IDENTIFIED BY THE COMMITTEE FOR NOTING BY THE PUBLIC TRUST BOARD:

- Contract Management Arrangements (Minute 5/21/1)
- 2020/21 Transformation and CIP update (Minute 5/21/2)

DATE OF NEXT COMMITTEE MEETING: 25 February 2021

Mr A Johnson, Non-Executive Director and FIC Chair

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

MINUTES OF AN INQUORATE FINANCE AND INVESTMENT COMMITTEE (FIC) MEETING, HELD VIRTUALLY ON THURSDAY 28 JANUARY 2021 AT 9AM VIA MICROSOFT TEAMS

*(As this meeting was inquorate, all items are recommended for Trust Board approval. Items marked with ** are items where specific formal Trust Board approval is required.)*

Voting Members Present:

Mr A Johnson – Non-Executive Director (Committee Chair)
Mr S Lazarus – Chief Financial Officer
Ms D Mitchell – Acting Chief Operating Officer

In Attendance:

Mr R Cooper – Financial Improvement Director
Miss M Durbridge – Director of Quality Transformation and Efficiency Improvement
Ms K Gillatt – Associate Non-Executive Director
Mr D Kerr – Director of Estates and Facilities (for Minutes 4/21 to 5/21 inclusive)
Ms K Rayns – Corporate and Committee Services Officer
Mr J Shuter – Director of Operational Finance
Mr M Williams – Non-Executive Director

ACTION

RECOMMENDED ITEMS

1/21 WELCOME AND APOLOGIES FOR ABSENCE

No apologies for absence were received. The FIC Non-Executive Director Chair welcomed Ms K Gillatt, Associate Non-Executive Director to her first meeting of the Finance and Investment Committee.

2/21 DECLARATIONS OF INTERESTS

Mr A Johnson FIC Non-Executive Director Chair, Ms K Gillatt, Associate Non-Executive Director, Mr S Lazarus Chief Financial Officer, and Mr J Shuter Director of Operational Finance declared their roles as (respectively) Non-Executive Chair, Non-Executive Directors, and Finance Director and Company Secretary of Trust Group Holdings Ltd. As these were judged by the Committee to be non-prejudicial interests, they remained present at the meeting.

Recommended – that the declarations of interests be noted.

3/21 MINUTES OF DECEMBER 2020 FIC

Recommended – that the Minutes of the 17 December 2020 Finance and Investment Committee be confirmed as a correct record.

4/21 MATTERS ARISING LOG

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

5/21 KEY ISSUES FOR DISCUSSION AND ASSURANCE

5/21/1 Contract Management Arrangements

The Director of Estates and Facilities introduced paper C, providing an update on progress of rolling out UHL's Contract Management Framework and highlighting the next steps to improve contract management in light of global pandemic pressures on supply chains and suppliers, and increase grip and control in this key area. Following an Internal Audit review of Contract Management in 2018, proposals for strengthening the approach had been presented to the Audit Committee in January 2019 and the Executive Quality and Performance Board (EQPB) in June 2019. A copy of the EQPB report was appended to paper C for information. This report included a number of detailed appendices including a detailed action plan (at appendix 2). In

terms of the next steps, it was proposed to establish a Procurement, Contracts and Performance Committee with effect from 1 April 2021. It was agreed that the draft membership and Terms of Reference for this Committee would be submitted to the February 2021 FIC for approval. In the meantime, a master list of all contracts was being compiled for appropriate scrutiny.

DEF

In response to a query from the FIC Non-Executive Director Chair, it was confirmed that the proposed procurement of a Contract Management Software solution had recently been approved by the Financial Recovery Board (FRB). The Director of Quality Transformation and Efficiency Improvement expanded upon the benefits of this software solution which would provide improved oversight of contracts and benchmarking data with peer group Trusts. The Head of Procurement and Supplies was currently resolving some licensing issues, but the two systems would be running in parallel until the full migration was implemented.

Mr M Williams, Non-Executive Director noted that the system was currently monitoring approximately 600 contracts, but he highlighted the need to review total expenditure with UHL's suppliers to identify the scope to implement additional contractual arrangements. He also highlighted the efficiency gains associated with better/smarter procurement processes, forward procurement planning and implementation of procurement-to-pay systems. The Director of Estates and Facilities acknowledged that there was some scope for improvement in these areas and he would be liaising with the Head of Procurement and Supplies and the Chief Financial Officer's team to address areas of uncontracted expenditure and strengthen the roles of the procurement and supplies function at UHL. Training would be a key component of this work. In addition, a detailed piece of work was taking place with Kingsgate to identify and validate the scope of procurement-related efficiency savings for 2021/22. In respect of procurement-to-pay systems, the Director of Estates and Facilities undertook to review the Minutes of the 27 January 2021 Audit Committee (where this had been discussed) and follow-up on the information accordingly.

DEF

The Chief Financial Officer provided his view that UHL's processes for contract negotiations and obtaining supplier discounts were as good as any that he had seen in the NHS, but he highlighted a potential control weakness in terms of the percentage of orders that were covered by a purchase order. He provided assurance that Mr S Linthwaite, the recently appointed Deputy Director of Finance (Financial Services) had good experience of using technology to strengthen the links between the supply chain and processing of invoices and he was already developing proposals for modernising UHL's arrangements. The Director of Quality Transformation and Efficiency Improvement advised that an initial allocation of £4m had been included in the 2021/22 CIP for procurement efficiency schemes and she offered to provide a breakdown of these schemes in her FIC update for February 2021. In response, the FIC Non-Executive Director Chair queried whether £4m was sufficiently ambitious, noting that opportunities for recurrent savings were not always factored in when renewing an existing contract. He highlighted that suppliers' set-up costs were usually amortised across the profile of the contract, and UHL should be able to negotiate a greater discount when extending an existing contract in the absence of such set-up costs. Discussion also took place regarding the need for standardisation of supplies (eg surgeons' gloves), and the need to distinguish between actual cash savings and more general efficiency savings. The Director of Operational Finance added that every financial commitment should be covered by a purchase order and the Trust's Standing Orders and Standing Financial Instructions were being updated to provide clarity in this respect. The Acting Chief Operating Officer supported the comments about purchase order compliance, confirming that this aspect would be picked up in the training package which was about to be launched at UHL. Ms K Gillatt, Associate NED expressed a particular interest in end-to-end processing design for Corporate Services and she offered her support in this area.

DQTEI

Recommended – that (A) the update UHL's Contract Management Arrangements be received and noted as paper C,

(B) the Director of Estates and Facilities be requested to:-

(1) present the draft Terms of Reference and membership of the proposed Procurement, Contracts and Performance Committee to FIC for approval on 25.2.21, with a view to implementing this new Committee by 1.4.21,

DEF

(2) review the Minutes of the 27 January 2021 Audit Committee in respect of the guidance provided about procurement-to-pay systems and follow-up on the information accordingly, and

DEF

(C) the Director of Quality Transformation and Efficiency Improvement be requested to provide a breakdown of the £4m procurement efficiency opportunities for 2021/22 within the Quality Transformation and Efficiency Improvement report to FIC on 25 February 2021.

DQTEI

5/21/2 2020/21 Transformation and CIP Update

Further to Minute 78/20 of 17 December 2020, the Director of Quality Transformation and Efficiency Improvement introduced paper E, updating FIC on progress of CIP schemes for months 7 to 12 of 2020/21 and the development of CIP schemes for 2021/22. The report also briefed FIC on the wider cultural quality and efficiency transformation work. The 2020/21 CIP tracker was being recalibrated on a weekly basis, but the forecast currently stood at £8.473m and there was a strong likelihood that the £8m target would be met in full. A new table had been provided in section 2.3 showing the movements in forecast outturn, the value of schemes that had been risk adjusted and the value of recurrent schemes. Section 2.4 provided a breakdown of CIP schemes by Clinical Management Group (CMG). As part of the 2021/22 CIP planning process, all corporate functions had joined together to ensure an all-inclusive plan and the tracker would be in place by the end of January 2021. A summary of the 2021/22 CIP tracker would be included in the February 2021 FIC report. In addition to reviewing CIP opportunities, the coaching for the CMG leadership teams included a focus upon culture, grip and control and governance procedures. Taxi expenditure was provided as a good example of the need to improve corporate oversight, grip and control although it was noted that there were legislative issues surrounding the metred costs of the hackney-type taxis which would preclude the negotiation of preferential rates.

DQTEI

The Director of Quality Transformation and Efficiency Improvement provided an update on key 'invest to save' schemes which included an opportunity to resolve some legacy staff contracts in Estates and Facilities. Once the residual issues had been resolved, a proposal would be presented to FRB approval. Discussion took place regarding the greater use of Healthroster for Estates and Facilities staff and the FIC Non-Executive Director Chair provided his view that fingerprint recognition systems were an effective tool for improving workforce efficiency. Since the report had been written, progress had improved in respect of the number of CIP schemes that had been assessed for any quality impacts. Due to operational pressures associated with the Covid-19 pandemic, there had been a slight delay in the timescale for presenting the Becoming the Best Transformation Highlight Reports to the relevant Executive Boards, but this process was expected to commence in February 2021.

In discussion on the report, the FIC Non-Executive Director Chair noted the challenges associated with validating CIP schemes and the absolute need to ensure that genuine recurrent savings were being achieved and that the associated savings could be projected forwards for inclusion in the budget-setting for 2021/22. In respect of 'invest to save' schemes, he advised of a cautious approach to ensure that the forecast savings were delivered within a commercially-acceptable timeframe. The Acting Chief Operating Officer highlighted the need to model the phasing of CIP schemes in a realistic manner to take account of any part-year effects. Following a meeting of the Workforce CIP cell held on 27 January 2021, she provided assurance that reductions in workforce, bank and agency expenditure were being triangulated appropriately and that the savings were being tracked within the run-rate for that month and modelled forward. Particular discussion took place regarding the need for a formal benefits realisation process to accompany the 'invest to save' process and Ms K Gillatt, Associate Non-Executive Director queried which project management techniques were being used to ensure that services were not reverting back to their old ways following such investment. Noting that evaluations were not currently articulated in this way, the Director of Quality Transformation and Efficiency Improvement undertook to develop proposals to embed a formal post-investment evaluation mechanism after six months or one year (as appropriate).

DQTEI

Recommended – that (A) the update on 2020/21 Transformation and CIP workstreams be received and noted as paper E,

(B) the Director of Quality Transformation and Efficiency Improvement be requested to:-
(1) include a summary of the 2021/22 CIP tracker in the Quality Transformation and Efficiency Improvement report to FIC on 25 February 2021, and
(2) develop proposals for embedding a formal post-investment evaluation mechanism to identify the actual benefits realised by any 'invest to save' schemes.

DQTEI

DQTEI

5/21/3 Report from the Chief Financial Officer

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

5/21/4 Report from the Chief Financial Officer

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

5/21/5 Plan to Strengthen UHL Financial Governance

The Financial Improvement Director introduced paper H, providing the monthly progress report on UHL's Financial Governance Improvement Plan (FGIP). The full assurance report was provided at appendix 1 and the eight current priority focus areas were set out on page 2 of the Executive Summary. Good progress was noted with improving the financial reporting arrangements, response to the draft audit letter and addressing the gaps in capacity and capability. The FIC Non-Executive Director Chair provided his view that he was happy with progress and that changes were happening and being evidenced appropriately.

Recommended – that the update on plans to strengthen UHL's financial governance be received and noted as paper H.

5/21/6 ** Report from the Chief Financial Officer

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

5/21/7 Strengthening the UHL Finance Department – Update

The Chief Financial Officer introduced paper J, confirming the interim and substantive resources that had been brought in to ensure that UHL's Finance Department was strong enough to meeting the 'business as usual' requirements and the additional requirements associated with Financial Special Measures. Appendix 1 set out the key roles and responsibilities for each post holder. In addition to the 9 posts listed, it was noted that an additional 2 band 7 posts had been recruited. Appendix 2 set out a high level timetable for a restructure of the Finance Department, which was planned to be completed by January 2022. The FIC Non-Executive Director Chair particularly welcomed the additional resources with expertise in balance sheet techniques, noting that he had previously highlighted a weakness in this area.

Recommended – that the update on strengthening UHL's Finance Department be received and noted as paper J.

5/21/8 ** Report from the Chief Financial Officer

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

5/21/9 Financial Recovery Board (FRB)

Recommended – that the actions from the 15 December 2020 and 6 January 2021 FRB meetings, and the agenda from the 20 January 2021 FRB meeting, be noted.

6/21 **ITEMS FOR NOTING**

Recommended – that the Executive Finance and Performance Board action notes from 15 December 2020 and the agenda from the Executive Finance and Performance Board meeting held on 26 January 2021 be noted for information.

7/21 **ANY OTHER BUSINESS**

There were no items of any other business.

8/21 IDENTIFICATION OF ANY KEY ISSUES FOR THE TRUST BOARD

Recommended – that (A) the Trust Board be requested to approve all recommended items due to the FIC meeting being inquorate, and

**FIC NED
CHAIR**

(B) the items in private Minutes 5/21/6 and 5/21/8 (as marked with **) be recommended for specific formal approval by the 4 February 2021 Trust Board.

**FIC NED
CHAIR**

9/21 DATE OF NEXT MEETING

Recommended – that the next meeting of the Finance and Investment Committee be held virtually on Thursday 25 February 2021, from 9am to 11.15am via Microsoft teams.

The meeting closed at 11.37am

Kate Rayns
Corporate and Committee Services Officer

FIC Attendance Record 2020/21

Voting Members:

Name	Possible	Actual	% attendance	Name	Possible	Actual	% attendance
A Johnson (Chair)	10	10	100	S Lazarus	10	8	80
K Jenkins (until end June 2020)	3	3	100	D Mitchell (Sep+)	5	4	80
				M Traynor (until 25.1.21)	9	9	100

Non-Voting Members:

Name	Possible	Actual	% attendance	Name	Possible	Actual	% attendance
K Gillatt (from 28.1.21)	1	1	100	M Williams (Sep+)	5	5	100
J Shuter	10	9	90				