

Trust Board paper K3

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

REPORT BY TRUST BOARD COMMITTEE TO TRUST BOARD

DATE OF TRUST BOARD MEETING: 6 May 2021

COMMITTEE: Finance and Investment Committee (FIC)

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

DATE OF COMMITTEE MEETING: 25 March 2021

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

- 2021/22 quarter 1 draft financial plan (Minute 21/21), and
- 2021/22 quarter 1 draft cost improvement plan (Minute 22/21).

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

- Establishment of a Procurement Contracts Committee (Minute 29/21/1), and
- 2021/21 month 11 financial position and forecast outturn (Minute 29/21/2).

DATE OF NEXT COMMITTEE MEETING: 29 April 2021

Mr A Johnson, Non-Executive Director and FIC Chair

UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

MINUTES OF A FINANCE AND INVESTMENT COMMITTEE (FIC) MEETING, HELD VIRTUALLY ON THURSDAY 25 MARCH 2021 AT 9AM VIA MICROSOFT TEAMS

Voting Members Present:

Mr A Johnson – Non-Executive Director (Committee Chair)
Col (Ret'd) I Crowe – Non-Executive Director
Mr S Lazarus – Chief Financial Officer
Ms D Mitchell – Acting Chief Operating Officer
Mr B Patel – Non-Executive Director

In Attendance:

Mr N Bond – Deputy Director of Estates and Facilities (for Minute 29/21/1)
Mr R Cooper – Financial Improvement Director
Miss M Durbridge – Director of Quality Transformation and Efficiency Improvement
Ms K Gillatt – Associate Non-Executive Director
Mr I Orrell – Associate Non-Executive Director
Ms H Stokes – Corporate and Committee Services Manager
Mr D Streets – Head of Procurement and Supplies (for Minute 29/21/1)
Mr M Williams – Non-Executive Director (excluding Minutes 23/21, 24/21, and 29/21/4 – 32/21 inclusive)

ACTION

RECOMMENDED ITEMS

21/21 2021/22 QUARTER 1 DRAFT FINANCIAL PLAN

The Chief Financial Officer presented the draft financial expenditure plan for quarter 1 of 2021/22 (paper E1), which was based on January 2021 expenditure levels. 2021/22 income levels were not yet notified but were expected very shortly. The draft financial plan anticipated a break-even position for quarter 1 of 2021/22, with a draft expenditure plan of £309,747 (2021/22 quarter 1 cost improvement programme savings delivery to be removed from that figure) presented for FIC support and Trust Board approval. Mr M Williams Non-Executive Director queried how the quarter 1 expenditure plan reflected any additional recruitment assumptions compared to the current position; in response, and although now providing verbal assurance that both the workforce and activity assumptions in the plan had been worked through with CMGs and that the detail requested was therefore available, the Acting Chief Operating Officer and Chief Financial Officer confirmed that the underlying workforce metrics were not covered in paper E1. Mr M Williams Non-Executive Director reiterated his view that it would be helpful to see the detail of the underlying metrics (including workforce assumptions) in order to gain assurance that the figures in the plan were reasonable and realistic. The Chief Financial Officer agreed to include these (and any other appropriate) underlying assumptions in the quarter 1 draft financial plan being presented to the April 2021 Trust Board. In response to a query from the FIC Non-Executive Director Chair on whether his previous inflation queries had been resolved, the Chief Financial Officer advised that any potential pay awards were not included in the 2021/22 draft quarter 1 financial plan.

CFO

Recommended – that subject to inclusion of appropriate detail on the underlying workforce assumptions and metrics, the 2021/22 quarter 1 draft financial plan be endorsed and recommended for Trust Board approval.

**CFO/FIC
NED
CHAIR**

22/21 TRANSFORMATION PROGRAMME 2020/21 UPDATE AND 2021/22 QUARTER 1 DRAFT COST IMPROVEMENT (CIP) PLAN

The Director of Quality Transformation and Efficiency Improvement introduced papers F and F1. Paper F updated FIC on progress on the 2020/21 CIP schemes, noting that delivery of £9.284m (potentially rising to nearer £9.4m) was currently forecast against the £8m October 2020 – March 2021 CIP programme. Improvements also continued in the recurrent/non-recurrent split of that CIP delivery, and the Director of Quality Transformation and Efficiency Improvement noted the 2021/22 aim for a very significant majority of the CIP target to be recurrent. The 2021/22 full year effect of the 2020/21 schemes was confirmed as £5.365m.

Paper F1 updated FIC on 2021/22 CIP planning – as with the draft financial plan discussed in

Minute 21/21 above, the report set out a draft 2021/22 quarter 1 CIP programme using a January 2021 baseline. The impact of this change in methodology was a £3.3m reduction in the savings opportunity, resulting in a draft quarter 1 CIP plan of £2.48m (potentially rising to £2.6m), and a likely need also to adjust the split of the figures for the remainder of the 2021/22 year. The Director of Quality Transformation and Efficiency Improvement voiced her confidence that the 2021/22 draft quarter 1 CIP plan was realistic and deliverable (being based primarily on premium pay compressibles), and she confirmed that it had also been scrutinised at the 31 March 2021 Financial Recovery Board meeting. In response to a query from Mr I Orrell Associate Non-Executive Director seeking assurance on the level of organisational buy-in to the CIP plans, the Director of Quality Transformation and Efficiency Improvement confirmed that the transformation team met very regularly with CMGs and specialties to review their schemes at a granular level; the programme was therefore data-driven. In response to a further query from Mr I Orrell Associate Non-Executive Director re: underlying detail, the Director of Quality Transformation and Efficiency Improvement advised that the detail of the (significant savings-generating) workforce CIP schemes had been presented to FIC previously and could be circulated to him for information. Mr M Williams Non-Executive Director emphasised the crucial need to be able to reconcile and align the various figures within the CIP plan iterations. The FIC Non-Executive Director Chair requested that the 2021/22 quarter 1/halfyear 1 and quarter 2/halfyear 2 budgets and plans be appropriately reconciled with each other (and with the 2020-21 figures) for the April 2021 Trust Board.

DQTEI

CFO

Recommended – that (A) the detail of the workforce element of the 2021/22 CIP be circulated to Mr I Orrell Associate Non-Executive Director (cc: the FIC Non-Executive Director Chair) for information;

DQTEI

(B) it be ensures that 2021/22 Q1/H1 and Q2/H2 budgets were appropriately reconciled (both with each other and with the 2020/21 figures) in the report to the April 2021 Trust Board, and

CFO

(C) subject to the reconciliation in (B) above, the 2021/22 quarter 1 draft CIP plan be endorsed and recommended for Trust Board approval.

**FIC NED
CHAIR/
CFO**

23/21 REPORT FROM THE ACTING CHIEF OPERATING OFFICER

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

24/21 REPORT FROM THE CHIEF FINANCIAL OFFICER

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

RESOLVED ITEMS

25/21 WELCOME AND APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr J Shuter, Director of Operational Finance.

26/21 DECLARATIONS OF INTERESTS

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

Resolved – that the declarations of interests be noted.

27/21 MINUTES

Resolved – that the Minutes of the 25 February 2021 Finance and Investment Committee be confirmed as a correct record.

28/21 MATTERS ARISING LOG

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

28/21/1 Report from the Acting Chief Operating Officer and the Chief Financial Officer

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

29/21 **KEY ISSUES FOR DISCUSSION AND ASSURANCE**

29/21/1 Procurement Contracts Committee (PCC) – Terms of Reference and Membership

Reflecting FIC's previous requests for additional clarity and assurance on contract management issues, the Deputy Director of Estates and Facilities and the Head of Procurement and Supplies attended to present the draft terms of reference and membership for the new UHL Procurement Contracts Committee, chaired by the Director of Estates and Facilities (paper C). Underpinned by a 3-year work programme, the aim was to provide a strategic overview of Trust contracts, a clear governance/process route for their awarding, and to ensure that they were managed in an appropriately timely manner. The draft terms of reference also set out the clear delegated limits involved. The proposals had been supported at the 17 March 2021 Financial Recovery Board (to which the PCC would report) and the first PCC meeting was scheduled for 29 March 2021. In response to a query from Ms K Gillatt Associate Non-Executive Director, it was confirmed that the PCC would cover revenue expenditure only, as capital issues were already the remit of the Trust's Capital Monitoring and Investment Committee. Mr B Patel Non-Executive Director queried whether the (extensive) membership was perhaps too large; in response, the Head of Supplies and Procurement considered that initial wide attendance was required to ensure appropriate engagement and embedding. However, he suggested that the membership could be reviewed in (eg) 4-5 months' time.

Although welcoming the establishment of the Procurement Contracts Committee, the assurance it provided re: process and governance, and the further assurance now provided by the Head of Procurement and Supplies' verbal responses to their queries, FIC Non-Executive Director members and Non-Executive Director/Associate Non-Executive Director attendees requested a number of changes to the draft terms of reference, to appropriately reflect/clarify:-

DEF

- (1) the PCC's role in:
 - (i) overseeing/discussing the procurement elements of the CIP plan (although noting the Head of Procurement and Supplies' assurance that this was a fundamental role of the PCC);
 - (ii) ongoing and active contract management processes (ie beyond initial contract award/implementation);
 - (iii) reviewing all elements of the procurement 'journey', including any disinvestment issues;
 - (iv) ensuring that template documents are drawn up as guidance for all involved in contracts, representing the issues to be addressed, questions to be asked, and the standards of fulfilment & measurement required;
 - (v) ensuring the probity and integrity of contract processes at all levels and throughout the Trust, and
- (2) PCC reporting and responsibilities in relation to FRB and FIC.

In further discussion on the report, Mr B Patel Non-Executive Director also queried whether the PCC would be reviewing the scope for further efficiencies once contracts had been signed (recognising the cultural change involved) – although noting this point the Head of Procurement and Supplies commented in response on the requirements of the Public Contract Regulations 2015; given the PCC's role in reviewing contract renewals however, it would be appropriate for that Committee to explore and challenge specifications. Mr I Orrell Associate Non-Executive Director reiterated the importance of ongoing contract management, and suggested that Internal Audit support might prove helpful in reviewing procurement/contract processes. Mr I Orrell Associate Non-Executive Director also queried the scope for UHL procurement team involvement in the wider LLR ICS context, and the Director of Quality Transformation and Efficiency Improvement agreed to discuss this further with Executive Director colleagues. The FIC Non-Executive Director Chair stated his view that the establishment of the Procurement Contracts Committee would be beneficial to UHL in this regard. The Director of Quality Transformation and Efficiency Improvement and the Acting Chief Operating Officer also drew FIC's attention to the on-going mandatory programme of budget and contract management training for all UHL budget-holders, which had been well-received.

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DQTEI

The FIC Non-Executive Director Chair welcomed the establishment of the new Procurement Contracts Committee, which he had originally pressed for due to the need to avoid late contract renewals which reduced the Trust's leverage resulting in sub-optimal outcomes. He noted that there was no Non-Executive Director member on the Committee. He emphasised the key need for timely action on contracts and for clarity of process, and he believed that the PCC's establishment would progressively lead to better contract management and better contract outcomes for the Trust. The FIC Non-Executive Director Chair requested an update on the working of the Procurement Contracts Committee to the July 2021 FIC.

DEF

Resolved – that (A) the Procurement Contracts Committee draft terms of reference and membership be approved subject to the following changes to clarify:-

DEF

(1) the PCC's role in:-

- **overseeing/discussing the procurement elements of the CIP plan;**
- **ongoing and active contract management processes (ie beyond initial contract award/implementation);**
- **reviewing all elements of the procurement 'journey', including any disinvestment issues;**
- **ensuring that template documents are drawn up as guidance for all involved in contracts, representing the issues to be addressed, questions to be asked, and the standards of fulfilment and measurement required;**
- **ensuring the probity and integrity of contract processes at all levels throughout the Trust;**

(2) PCC reporting lines and responsibilities in relation to FRB and FIC.

(B) an update on the working of the Procurement Contracts Committee (including membership size) to the July 2021 FIC;

DEF

(C) the scope for an Internal Audit review of UHL contract management processes be considered outside the meeting, and

DQTEI

(D) the wider ICS context (ie role of UHL procurement team) be discussed with Executive Director colleagues outside the meeting.

DQTEI

29/21/2

2020/21 Month 11 Financial Position and Forecast Outturn

The Chief Financial Officer briefed FIC on the Trust's 2020/21 year-to-date financial performance as at month 11 (paper D), with non-Covid-19 activity continuing to be adversely affected by the third wave of the Covid-19 pandemic. The actual position (including Top Up funding) was a £35.7m year-to-date surplus, which was £0.9m favourable to forecast. The reasons for the surplus remained as previously reported (activity levels and staff recruitment plans being significantly lower than planned), and the Chief Financial Officer welcomed the improvement in month 11 accuracy of forecasting. All appropriate provisions being accounted for would be reflected in the month 12 report, which would set out the 2020/21 year-end position (being also further informed by the annual accounts work). Mr M Williams Non-Executive Director reiterated his previous comments on the need to learn appropriate lessons (from previous forecasts) on the importance of realistic recruitment assumptions, particularly re: the pace at which recruitment was possible. The Chief Financial Officer advised FIC that the non-pay position within the month 11 position was entirely driven by the impact of Covid-19 on activity, and he emphasised that the current runrate was not therefore indicative of normal activity levels. The Acting Chief Operating Officer echoed this point and strongly advised that restoration and recovery plans to reduce the backlog should be viewed as a separate issue from that of then resuming normal activity levels.

Mr I Orrell Associate Non-Executive Director requested assurance on the Trust's confidence in the 2020/21 month 11 position and in the robustness of its forecasting; in response the Chief Financial Officer advised that although improvements continued, there was a tendency towards over-prudence at CMG level. The FIC Non-Executive Director Chair noted the impact of different operating styles and commented on the need to avoid being solely driven by targeting Control Total delivery. Ms K Gillatt Associate Non-Executive Director questioned whether there was forensic tracking and monitoring of pay trends and recruitment in place at UHL, given the significant impact of workforce spend on Trusts' financial positions – in response, the FIC Non-

<p>Executive Director Chair advised that there was good visibility on workforce issues at the Trust's People Process and Performance Committee, and Ms K Gillatt Associate Non-Executive Director noted that she would raise her queries accordingly at that Committee. In summarising the 2020/21 month 11 position, the FIC Non-Executive Director Chair commented that it remained heavily impacted by Covid-19 and was therefore not necessarily reflective of the underlying position that would apply under "normal" operating conditions. The FIC Non-Executive Director Chair confirmed that he would be highlighting the report on the Trust's financial position to the April 2021 Trust Board.</p>	<p>KG Assoc NED</p>
<p>Resolved – that Ms K Gillatt Non-Executive Director raise any specific queries over the level of UHL forensic tracking and monitoring of workforce and pay trends, at the People, Process and Performance Committee.</p>	<p>KG Assoc NED</p>
<p>29/21/3 <u>Report from the Chief Financial Officer</u></p>	
<p>Resolved – that that this Minute be classed as confidential and taken in private accordingly.</p>	
<p>29/21/4 <u>Report from the Chief Financial Officer</u></p>	
<p>Resolved – that that this Minute be classed as confidential and taken in private accordingly.</p>	
<p>29/21/5 <u>Strengthening the UHL Finance Department – Update</u></p>	
<p>Resolved – it be noted that no separate update was provided on this item.</p>	
<p>29/21/6 <u>2020/21 Capital Plan and 2021/22 Draft Capital Plan</u></p>	
<p>Paper J updated FIC on the status of UHL's £71.5m capital plan (updated from the previous month to reflect the final agreed PDC funding for the full year). The Trust was forecasting a year-end outturn of £71.1m against that plan and the FIC Non-Executive Director Chair welcomed that spend level. Due to pressure of time it was not possible to discuss the 2021/22 draft capital plan, and the FIC Non-Executive Director Chair advised therefore that this would be discussed in detail at the April 2021 FIC.</p>	<p>CFO</p>
<p>Resolved – that the 2021/22 draft capital plan be discussed in detail at the next FIC.</p>	<p>CFO</p>
<p>29/21/7 <u>Financial Recovery Board (FRB)</u></p>	
<p>Resolved – that the actions from the 17 February 2021 and 3 March 2021 FRB meetings, and the agenda from the 17 March 2021 FRB meeting, be noted.</p>	
<p>30/21 ITEMS FOR NOTING</p>	
<p>Resolved – that the following items be received and noted: (A) property update, and (B) the notes from the 23 February 2021 Executive Finance and Performance Board meeting, and the agenda from the 23 March 2021 Executive Finance and Performance Board meeting.</p>	
<p>31/21 ANY OTHER BUSINESS</p>	
<p>There were no items of any other business.</p>	
<p>32/21 IDENTIFICATION OF ANY KEY ISSUES FOR THE TRUST BOARD</p>	
<p>Resolved – that (A) the items in Minutes 21/21 and 22/21, and in confidential Minutes 23/21 and 24/21 be recommended to the 1 April 2021 Trust Board for approval, and</p>	<p>FIC NED CHAIR</p>
<p>(B) the items in Minutes 29/21/1 and 29/21/2 and in confidential Minute 29/21/3 be highlighted to the 1 April 2021 Trust Board for information.</p>	<p>FIC NED CHAIR</p>
<p>33/21 DATE OF NEXT MEETING</p>	

Resolved – that the next meeting of the Finance and Investment Committee be held virtually on Thursday 29 April 2021, from 9am to 11.15am via Microsoft teams.

The meeting closed at 11.20am

Helen Stokes **Corporate and Committee Services Manager**

FIC Attendance Record 2020/21

Voting Members:

Name	Possible	Actual	% attendance	Name	Possible	Actual	% attendance
A Johnson (Chair)	12	12	100	D Mitchell (Sep 2020+)	7	6	86
I Crowe (February 2021+)	2	2	100	B Patel (February 2021+)	2	2	100
K Jenkins (until end June 2020)	3	3	100	M Traynor (until 25.1.21)	9	9	100
S Lazarus	12	10	83				

Non-Voting Members:

Name	Possible	Actual	% attendance	Name	Possible	Actual	% attendance
K Gillatt (from 28.1.21)	3	2	67	J Shuter	12	11	92
I Orrell (from February 2021+)	2	1	50	M Williams (Sep 2020+)	7	7	100