

**Cover report to the Trust Board meeting to be held on 2 July 2020**

Trust Board paper I3

<b>Report Title:</b>	<b>Finance and Investment Committee assurance conference call – Committee Chair’s Report</b> <i>This was not a formally-constituted virtual Board Committee meeting, and was confined to any time-critical items/governance must-dos only. Its purpose was to provide information on, and assurance of, progress.</i>
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<b>Reporting Committee:</b>	<b>Finance and Investment Committee (assurance conference call)</b>
<b>Chaired by:</b>	Andrew Johnson, Non-Executive Director
<b>Lead Executive Director(s):</b>	Simon Lazarus, Interim Chief Financial Officer
<b>Date of FIC conference call:</b>	25 June 2020

**Summary of key public matters considered by the Committee:**

This report provides a summary of the key public issues considered during the Finance and Investment Committee assurance conference call on 25 June 2020 (*involving Mr A Johnson FIC Non-Executive Director Chair, Ms K Jenkins Non-Executive Director, Mr M Traynor Non-Executive Director (from consideration of paper B (part) onwards only) and Mr J Shuter Deputy Chief Financial Officer*):

- **Public Summary of the FIC assurance conference call held on 28 May 2020** – this was noted, having been submitted to the Trust Board on 4 June 2020.
- **2020/21 Month 2 finance report** – the Deputy Chief Financial Officer briefed FIC on the Trust’s financial position for month 2 of 2020/21, noting that, to support Trusts during the COVID-19 pandemic, the NHS was providing top up funding via NHSE&I. This consisted of an upfront top up payment which was an estimate of the additional funding required by an individual Trust to meet their breakeven duty from April 2020 to July 2020 and was based on each Trust’s underlying financial position and a retrospective adjustment in line with the actual reported financial position. The Month 2 report detailed the actual financial performance including the impact of COVID-19 and the position excluding COVID-19 expenditure and the reduction in income due to COVID-19. As only draft operational plans had been submitted to NHSE&I to date and, consistent with the basis of calculation of the top up payment, planned income and expenditure for the Trust in the monthly NHSE&I monitoring return was as calculated by NHSE&I. Whilst this did not impact upon the reporting of actuals, it did mean that the variance to plan reported externally was different to the variance to plan reported internally by the Trust against its interim budget. The Trust had set interim budgets for Months 1 to 4 of 2020/21, in order to establish control totals based on existing income and expenditure levels. These interim budgets were the basis for the Trust’s planned performance for internal reporting purposes. Final Trust budgets would be confirmed in accordance with national operational planning guidance. The actual position in terms of the financial performance for the Trust for the period ending 31 May 2020, including top up funding of £16.6m, was breakeven. The financial position excluding top up funding was a deficit of £16.6m which was £3.6m favourable to plan. Patient care income was £1.7m below plan at Month 2 reflecting the impact of lower work in progress due to COVID-19. Under recovery of other income was likely to continue in future months whilst the COVID-19 crisis eased. Reduced patient activity and under-spending on non-pay was likely to continue in future months although was expected to gradually increase. Cost improvement plans needed to be finalised and implemented to deliver savings and reduce the Trust’s underlying financial deficit. Specific note was made that the availability of top up funding was likely to be for a limited period only (currently April to July 2020). The scale and duration of the impact of COVID-19 on patient activity, income and expenditure was uncertain and may require ongoing refinement to forecasting of financial performance throughout the year.

Ms Jenkins, Non-Executive Director, questioned the robustness of the figures provided by Clinical Management Groups (CMGs), in response to which the Deputy Chief Financial Officer confirmed that the Corporate Finance Team were rigorously accounting (but in a more centralised manner than desirable) and that Performance Review Meetings (PRMs) were being held monthly with each CMG to confirm and challenge their financial position (see *also the related discussion at the bullet point on ‘Strengthening Financial Performance Management’ below*). Specific discussion took place regarding the impact of COVID-19 upon the Trust’s financial position, noting the very structured and controlled process in terms of this specific reporting. In response to the fact that FIC members expressed a lack of clarity in being easily able to identify data relating to loss of income, the Deputy Chief Financial Officer undertook to update the presentation of this data in future reports (through use of bracketed information or an accompanying explanation etc.)

FIC particularly discussed the Trust's cash position and the Deputy Chief Financial Officer confirmed that the Trust had a clear position on its underlying cash position, with restrictions in place to prevent increased expenditure (given the now positive gross cash position) and he undertook to include data detailing the underlying cash position within the next monthly report submitted to FIC. He also undertook to include, within a future report to FIC, a balance sheet summary which documented movements aligned to the cash position. The FIC Non-Executive Director Chair made reference to the cash report and payment forecast information previously made available monthly and requested visibility going forward on the Trust's performance against target payment terms for review at the next FIC meeting.

***The 2020/21 month 2 financial position is highlighted to the Trust Board for information.***

- **Key Financial Controls in Place at UHL** – the Deputy Chief Financial Officer presented an overview to FIC on the approach that the Senior Finance Team had taken to enhance key financial controls and further actions planned for 2020/21. These included enhanced financial transaction controls, additional processes in relation to journal authorisation, balance sheet control, cash control, approval of major transactions, delivery of the financial plan, training, transaction processing, COVID-19 financial controls and next steps. In responding to this report, Ms Jenkins, Non-Executive Director, sought clarification of dates when specific actions had been taken and confirmation of the current position relating to these processes. In response, the Deputy Chief Financial Officer undertook to check the specific months, outwith the meeting, for confirmation back to FIC. The FIC Non-Executive Director Chair requested a follow-up document to paper D, for receipt at the next FIC meeting in July 2020, which documented this information within a schedule or framework, including actions and dates, and provided a Scheme of Delegation / Authorities Manual (or other such document) which confirmed the major controls in place and who within the Trust had authority to override these controls. Following discussions held at FIC relating to information previously provided by the Trust's External Auditors and in response to a specific query raised, the Deputy Chief Financial Officer confirmed that the month 2 income and expenditure position was reported from the Trust's ledger without manual changes. In response to further discussion on this matter, the Deputy Chief Financial Officer also undertook to report back to FIC on the process for producing a viable and accurate trial balance, including details of who within the Trust was responsible for the monitoring of this process. Specific discussions took place regarding the means by which FIC could receive continued and on-going assurance in terms of financial controls and the need for specific consideration of the days to be allocated to the review of financial controls within the Internal Audit plan was emphasised, in order that Internal Audit could provide appropriate assurances to the Audit Committee.
- **Strengthening Financial Performance Management (PRMs)** – the Deputy Chief Financial Officer presented this report detailing progress on strengthening financial governance, including the process for the CMG Performance Review meetings. FIC received and noted the contents of this report, albeit they considered that more in-depth information was required including the devolvement of this information within an action plan, including a series of targets and clear delineation in terms of CMG responsibilities and accountabilities. The FIC Non-Executive Director Chair noted the importance of having a series of standard, searching questions relevant to the current position, responses to which should be sought at each PRM (through a separate finance meeting if necessary). Particular discussion took place regarding the seniority of accountants working within the CMGs, noting the need for such staff to have the relevant authority within the Trust's structures. In concluding discussion on this item, the FIC Non-Executive Director Chair confirmed that this report provided reassurance, albeit not assurance to the Committee. Assurance would be achievable through confirmation of the series of controls in place, confirmation in terms of what CMGs were and were not accountable for and a parallel scheme of delegation – it was agreed that this information would be provided for a future FIC meeting (either July 2020 or August 2020 – for confirmation by the Deputy Chief Financial Officer). There was acknowledgement of the need to capture the whole operating model of each CMG, which was an issue for consideration by the Executive Team. Ms Jenkins, Non-Executive Director, also considered that the changes made to the FRB (as described within paper E) were not material changes and FIC therefore sought information from the Executive Team as to how FRB would operate differently in future such as to provide an appropriate level of assurance to FIC and to achieve a different, positive, result.
- **Financial Recovery Board (FRB)** – FIC received and noted the actions from meetings of the FRB held on 2 June 2020 and 16 June 2020.
- **Items for noting** – the following reports were received for information:-
  - Executive Performance Board action notes from 26 May 2020.

**Public matters requiring Trust Board consideration and/or approval:**

***Recommendations for approval***

None

***Items highlighted to the Trust Board for information***

2020/21 month 2 financial position

**Matters referred to other Committees:**

None	
<b>Date of next FIC assurance conference call:</b>	30 July 2020