

Cover report to the Trust Board meeting to be held on 6 August 2020

Trust Board paper F3

Report Title:	Finance and Investment Committee assurance conference call – Committee Chair’s Report <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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Reporting Committee:	Finance and Investment Committee (assurance conference call)
Chaired by:	Andrew Johnson, Non-Executive Director
Lead Executive Director(s):	Simon Lazarus, Interim Chief Financial Officer
Date of FIC conference call:	30 July 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 30 July 2020 (*involving Mr A Johnson FIC Non-Executive Director Chair, Mr M Traynor Non-Executive Director, Mr K Singh Trust Chairman, Mr S Lazarus Interim Chief Financial Officer, Miss M Durbridge Director of Safety and Risk [in her capacity as Director of Quality Improvement and Efficiency Transformation], Mr R Cooper NHSE/I, and Mr D Kerr Director of Estates and Facilities [for part of the meeting]*): NB: For the full minutes see the separate full minutes document issued prior to the next Trust Board Meeting:

- **Summaries of the FIC assurance conference call held on 25 June 2020** – these were noted, having been submitted to the Trust Board on 2 July 2020.
- **FIC matters arising log** – the FIC Non-Executive Director Chair undertook a detailed, line by line review of each action on the log, emphasising the key need for appropriate follow-up of all actions: for the provision of assurance to FIC, and to ensure that the stated timescales were delivered. The outcomes of that detailed review will be reflected in the action log.
- **2020/21 month 3 finance report (including a capital update)** – the Interim Chief Financial Officer briefed FIC on the Trust’s financial position for month 3 of 2020/21, noting that UHL had achieved a quarter 1 break-even position after its receipt of £24.2m top-up funding (national mechanism to support Trusts during the COVID-19 pandemic). Although needing to be partly balanced against a non-pay underspend, this performance was an improvement against plan, and the Interim Chief Financial Officer advised that the strengthened financial controls and measures introduced were showing some signs of beginning to gain traction. Any requested investments were being rigorously scrutinised through UHL’s fortnightly Financial Recovery Board meeting. National top-up funding would continue to be available to Trusts in August 2020 and potentially also through to the end of September 2020, and Mr R Cooper (NHSE/I) was working with UHL to develop a robust forecast position for post-September 2020. The month 3 report also set out the quarter 1 financial impact of Covid-19 (£14.2m) and the Interim Chief Financial Officer particularly drew members’ attention to the stark impact of Covid-19 on activity levels (also shown in the report). The FIC Non-Executive Director Chair requested greater clarity in the month 4 report onwards as to the precise impact of the top-up funding, and the Trust’s underlying position (costing according to a realistic UHL derived forecast recognising the nationally-required rise in activity for the remainder of 2020/21). The FIC Non-Executive Director Chair also requested that FIC be sighted to how Consultant time was accounted for, in the event of any future Covid-19 wave, in order to better understand how Consultant time was being utilised. The Trust Chairman emphasised the need to make appropriate provision for any second Covid-19 surge, and also reiterated the need for clear FIC understanding of UHL’s costs and expenditure more generally.

In discussion, the FIC Non-Executive Director Chair sought assurance on whether CMGs were appropriately aware of their underlying financial positions, given that the figures in the report included the Covid-19 top-up funding, and he queried if that was the optimum way of presenting the information to them. In response, the Interim Chief Financial Officer confirmed that the July 2020 Performance Review Meetings (PRMs) with CMGs had reviewed the CMG financial positions without that top-up funding, which was welcomed by the FIC Non-Executive Director Chair. The Interim Chief Financial Officer agreed that FIC needed to receive more detailed information on the CMG financial positions (also including a full forecast and budget per CMG, and demonstrating understanding of their pay positions as a crucial expenditure stream) – he would present a plan for providing this to FIC at its August 2020 assurance conference call (with a view to starting that augmented information from the October 2020 FIC onwards). The FIC Non-Executive Director Chair suggested a page per CMG showing its financial performance in both pictorial and narrative formats, which he considered would also provide FIC with

assurance on the PRM process. The Director of Safety and Risk advised that in her role as Director of Quality Improvement Efficiency and Transformation she planned to review the working of the PRMs and improve them where needed. The FIC Non-Executive Director Chair stated that it was very important for Executive Board members to be able to gain authentic assurance at all the CMG PRMs through being presented with sufficient data and insight to allow them to ask relevant, probing, and challenging questions.

Although acknowledging the improved position on payment performance, Mr M Traynor Non-Executive Director requested assurance that plans were in place to move to the required 5-day payment of small and medium enterprise suppliers, given that UHL was broadly mid-table on this nationally. Although cash availability and payment culture drivers were being addressed, the Interim Chief Financial Officer advised that internal payment process improvements were still needed to deliver that target (he particularly noted the manual intervention currently required to address any discrepancies), and he confirmed that this would be addressed through a specific financial project. In light of the need for further assurance on this issue, the FIC Non-Executive Director Chair requested that a plan for the project be reported to FIC accordingly, confirming the lead officer and identifying the preferred process to tackle both the oldest invoices and those most easily resolved. The Interim Chief Financial Officer agreed to provide that report to the September 2020 FIC.

With regard to capital, the FIC Non-Executive Director Chair voiced concern that the month 3 report provided only a summary. The capital programme was behind plan, and the FIC Non-Executive Director Chair questioned when the situation would be recovered – he requested a report to either the August 2020 or September 2020 FIC on how the capital priorities identified in March 2020 would be managed. In light of current pressures on the Trust's finance team, the Interim Chief Financial Officer proposed targeting the September 2020 FIC at the earliest for that update, and he outlined ongoing work to bolster the capital programme management resource. The Interim Chief Financial Officer also highlighted the need for the capital plan to reflect realistic phasing assumptions. Although noting these points and recognising the resource issues, the FIC Non-Executive Director Chair stated therefore that FIC could not currently be assured on the Trust's capital programme 2020/21.

The 2020/21 month 3 financial position and the status of the 2020/21 capital programme are highlighted to the Trust Board for information.

- **Trust financial controls and policies (update)** – the report from the Interim Chief Financial Officer updated FIC on the action plan to improve financial controls and strengthen financial governance at UHL, listing the planned actions and identifying their timescales and lead officer(s). Although welcoming the report as a starting point, the FIC Non-Executive Director Chair advised that it provided reassurance rather than assurance at this stage.
- **Creating a framework to develop a 5-year plan to achieve a financially self-sustainable future for UHL** – at the request of the FIC Non-Executive Director Chair, the Interim Chief Financial Officer provided a verbal report on this item, noting the need to establish a robust financial baseline for 2020/21 as UHL moved in to the Covid-19 restoration and recovery phase, and build a sustainability trajectory from that baseline. He anticipated that this baseline would be developed through Autumn 2020 and be in place from the end of quarter 3 onwards – updates against that plan would therefore be provided to FIC from January 2021 onwards. Supporting these comments, Mr R Cooper (NHSE/I) emphasised the key need to have a robust-forecast and deliverable financial plan for 2020/21 (the delivery of which would lead to a smooth annual audit process and a demonstrable and sustainable plan with the necessary credibility). He advised that he would integrate this aspect into the time-based financial improvement plan he was developing which would be available for scrutiny by FIC.
- **Financial Recovery Board (FRB)** – FIC received and noted the actions from meetings of the FRB meetings held on 30 June 2020 and 14 July 2020, together with the agenda from the 28 July 2020 FRB. In discussion on that agenda, the FIC Non-Executive Director Chair emphasised the need for FRB to be focusing primarily on actual financial recovery issues, and he queried whether that was the case at present given the number and range of other items on the agenda. The Interim Chief Financial Officer acknowledged this point, and outlined the role of recent FRB meetings in considering investment requests (only approved if required on quality and safety grounds). The Interim Chief Financial Officer also updated FIC on the process for appointing a financial recovery programme partner, which (once formally concluded) would enable FRB to enhance its scrutiny re: financial recovery as an appropriately-central agenda item. The FIC Non-Executive Director Chair emphasised the need for the programme to yield measurable results, to be sustainable, and to also cover accountability and performance management. He advised a need for appropriate thought to be given to the timing of implementing the recovery initiatives, to ensure that they were deliverable. Mr M Traynor Non-Executive Director requested assurance on who would oversee the financial recovery programme; that would be through the Interim Chief Financial Officer and the Acting Chief Executive (noting that the Project Management Office reported to the latter). The fully-integrated role of the Director of Productivity as the Deputy for the Director of Quality Improvement and Efficiency Transformation was also confirmed.
- **Items for noting** – the following reports were received for information:-

- Executive Performance Board action notes from 23 June 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 3 financial position

The status of the Trust's capital plan for 2020-21

Matters referred to other Committees:

None

**Date of next FIC assurance
conference call:**

27 August 2020