

Cover report to the Trust Board meeting to be held on 4 March 2021

Trust Board paper H3

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:	25 February 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 25 February 2021 (*involving Mr A Johnson FIC Non-Executive Director Chair; Col (Ret’d) I Crowe Non-Executive Director; Mr B Patel Non-Executive Director; Mr M Williams Non-Executive Director; Mr S Lazarus Chief Financial Officer; Ms D Mitchell Acting Chief Operating Officer; Miss M Durbridge Director of Quality Transformation and Efficiency Improvement; Mr R Cooper Financial Improvement Director; Mr J Shuter Director of Operational Finance, and Mr D Kerr Director of Estates and Facilities [part].* Full Minutes will be issued prior to the March 2021 FIC and April 2021 Trust Board.

- Plan to Strengthen Financial Governance** – the Financial Improvement Director presented the updated Financial Governance Improvement Plan, advising that the focus was now moving onto delivery. Although he considered that there was now a much clearer understanding at senior level, the Financial Improvement Director specifically questioned how FIC and the Trust Board would assure themselves that the wider organisation was clear on what was required of it in terms of financial delivery, performance and governance. Embedding an appropriate (and evidenced) understanding of those requirements at all levels within UHL was crucial to achieving a financially sustainable position. The Financial Improvement Director also emphasised the need to move towards a position of more proactive UHL grip and control, noting the good timing for this ahead of the 2021/22 budget plan coming to FIC in March 2021 and to the Trust Board in April 2021, and commenting on the scope for a zero base approach reflecting the Covid-19 pandemic context. Mr B Patel Non-Executive Director considered that it would be useful to specify the parameters for what ‘good’ looked like, so that this could be communicated throughout the organisation in a clearly-understandable and consistent way, and he emphasised the importance of whole organisation learning. In response, the Financial Improvement Director suggested that 3 key objectives should be used as the basis for demonstrating improvement and progress towards exiting Financial Special Measures: (1) consistent delivery of the financial plan bottom line [ideally monthly]; (2) production of fair and accurate accounts for 2019/20 and 2020/21 resulting in auditor sign-off, and (3) a reduction in the number of issues raised in the Audit Findings Report. Mr M Williams Non-Executive Director emphasised the need also to add meeting the Statutory Recommendations to that list (the FIC Non-Executive Director Chair considered that this latter point would be part of point (3)). Demonstrating improvement towards exiting Financial Special Measures would be an ongoing process, and the Financial Improvement Director anticipated that the Trust should be able to evidence significant improvement by the end of the 2021 calendar year. He strongly reiterated, however, the need for the Trust to be able to demonstrate that the improvements were sustainable. If the Trust agreed the objectives outlined above, the Financial Improvement Director reiterated his previous comments on the need for appropriate communication and reinforced messaging throughout the Trust, to ensure a clear CMG understanding of what needed to be delivered. The Director of Quality Transformation and Efficiency Improvement noted the equal need for demonstrable ownership and understanding at Executive level – the FIC Non-Executive Director Chair supported these comments from the Director of Quality Transformation and Efficiency Improvement and noted the role of FIC itself in reinforcing accountability and ensuring ownership where possible and appropriate.

Confirming her responsibility for ensuring that CMGs understood and delivered what was required of them, the Acting Chief Operating Officer outlined the formal processes in place for that purpose, including discussions at the Operational Management Group, Performance Management Review meetings, 1:1 meetings with Clinical Directors and Heads of Operations, and wider discussions on potential standardised objectives for all staff. The Acting Chief Operating Officer advised FIC that in turn, she expected CMGs to reflect those requirements through their own structures and management meetings. She acknowledged that there was further scope for improvement in on this issue however.

The FIC Non-Executive Director Chair noted his view that this issue should be recommended to the Trust Board, to agree the objectives to be used to demonstrate improvement, agree a programme to deliver those objectives,

and ensure that the Financial Governance Improvement Plan and its requirements were clearly embedded throughout the organisation. The FIC Non-Executive Director Chair further commented that different elements of governance spanned a number of different Committees, including both the Audit Committee and FIC.

The FIC Non-Executive Director Chair also queried whether there was a need for a more detailed review of progress against the workstream targets in the Financial Governance Improvement Plan. In response, the Financial Improvement Director confirmed that he was currently assured of progress, with no additional review required at this stage.

The discussion above – including the potential objectives against which to demonstrate improvement – is recommended to the Trust Board for its view.

- **CDEL monies** – following up from discussion at the February 2021 Reconfiguration Programme Trust Board, the Director of Estates and Facilities and the Chief Financial Officer provided a verbal update on the use of CDEL monies (internally generated capital based on the depreciation of assets). The Director of Estates and Facilities advised his view that – beyond the £7m already agreed – CDEL funding was unlikely to be available for reconfiguration use over the next 2 years, given the critical equipment replacement needs over that period. He also confirmed his view – echoed by the Chief Financial Officer – that wherever possible CDEL should be appropriately used for that purpose rather than for reconfiguration. In response to a query from Mr M Williams Non-Executive Director, the Chief Financial Officer confirmed that UHL asset lives had already been reverted back to standard practice, with no further changes expected and therefore no impact on CDEL. In further discussion, the Director of Estates and Facilities reminded FIC of the appropriate governance process already followed to fund the resourcing of the reconfiguration programme. The Director of Estates and Facilities and the Chief Financial Officer also briefed FIC on the development of a longer-term (3-5 year) UHL capital programme by the end of Summer 2021; national capital allocations were not yet finalised and would impact on the development of that plan. The FIC Non-Executive Director Chair summarised therefore that although a medium-long term UHL capital plan was not yet available, work was underway to develop one over the coming months and he requested an update accordingly to the August 2021 FIC.
- **2020/21 Transformation and Cost Improvement Programme (CIP) Update** – the Director of Quality Transformation and Efficiency Improvement introduced papers D1 and D2. Paper D1 updated FIC on progress on the 2020/21 CIP schemes, noting that delivery of £9.102m was forecast against the target of £8m. Work continued on the recurrent/non-recurrent split of that delivery. More schemes continued to move from an amber up to a green rating, and from a red up to an amber rating, and the Director of Quality Transformation and Efficiency Improvement confirmed that the current £5.1m actually transacted also continued to increase. Although welcoming the achievement of the 2020/21 CIP target given the context of the Covid19 pandemic pressures, the FIC Non-Executive Director Chair pressed Executive Directors for assurance on whether the savings were real and would be delivered. In response, the Chief Financial Officer confirmed that the savings were real and were evidenced in the income and expenditure position, as shown in the monthly finance reports. The Director of Quality Transformation and Efficiency Improvement confirmed that both she and the transformation team continued to encourage Clinical Management Groups and Corporate Directorates to deliver as much as possible before year-end with no easing off despite achieving the £8m target, and the Acting Chief Operating Officer advised that CIP delivery also featured on the CMG Performance Review Meetings and was discussed at her weekly meetings with the Heads of Operations.

Paper D2 updated FIC on 2021/22 CIP planning, setting out the size of the identified potential opportunity as £37m. However, the Director of Quality Transformation and Efficiency Improvement emphasised that this was not the verified delivery figure, and she outlined the very detailed work now underway with CMGs and Corporate Directorates to review the schemes and verify the assumptions. The final delivery target would also be impacted by the scope and organisational appetite for delivery, in a post-Covid-19 environment and by restoration and recovery requirements. A significant element (£14.8m) of the potential 2021/22 opportunity identified came from workforce workstreams (including the key workstream of reducing premium pay). The report from the Director of Quality Transformation and Efficiency Improvement also set out a high-level delivery assessment (green/amber/red) for each workstream, with just under £16m currently rated as 'green', and provided additional detail for FIC on the following key scheme areas: workforce; procurement and other non-pay schemes; estates and facilities; IM&T; pharmacy; private patients and overseas visitors, and research. The report further set out a number of potential additional schemes to bridge the 2021/22 CIP gap, noting that these required further Executive Director level discussion and were currently rated as very high risk. The Director of Quality Transformation and Efficiency Improvement reiterated, however, that all opportunities were being considered. She also noted that a provisional CIP opportunity of £900k was currently included for the Corporate Directorates.

Mr M Williams Non-Executive Director advised that he took assurance from process outlined for the 2021/22 CIP programme, which he considered to be a good start. However, he requested clarity on a number of issues including:-

(i) the 2020/21 CIP full year effect carry over into 2021/22, as there was a £0.5m discrepancy on that figure

between papers D1 and D2 – the Director of Operational Finance agreed to confirm the correct figure accordingly; (ii) the level of substantive staff recruitment required to achieve the agency reduction target. In response, the Director of Quality Transformation and Efficiency Improvement advised that a key part of the workstream CIP focused on addressing premium pay; significant progress had been made in the Trust’s use of bank compared to agency staff and while there were acknowledged to be nursing vacancies needing filling, premium pay rates related primarily to medical staff. The Director of Quality Transformation and Efficiency Improvement advised that UHL’s Financial Recovery Board had also agreed to halt overtime payments from the end of August 2021, with staff encouraged instead to register on the UHL bank. Mr M Williams Non-Executive Director pressed Executive Directors as to why UHL was still paying higher agency rates (given the national drive on this some years previously), and suggested that further grip and control was needed on this issue. Although noting these points, the Acting Chief Operating Officer commented that agency staff requirements had also been impacted by substantive staff sickness due to the Covid-19 pandemic, and (iii) the actions needed to achieve the procurement CIP opportunity and how practice would be different going forward. Although noting the response from the Director of Quality Transformation and Efficiency Improvement that detailed work underpinned this workstream and would be circulated to FIC for information, Mr M Williams Non-Executive Director advised that he remained sceptical and agreed that he would be happy to consider participating in an offline confirm and challenge of the proposals.

Mr B Patel Non-Executive Director voiced concern over the delivery confidence levels detailed in the report, and specifically asked for assurance on the 3 CMGs currently carrying the largest risks. He also sought a view on whether the Trust’s current workforce shape was fit for purpose, suggesting that this might be an issue for further discussion by the People, Process and Performance Committee. The Acting Chief Operating Officer noted the excellent work being done by the transformation team on the 2021/22 CIP opportunity; although the size of the task was significant she considered that there were some ‘quick wins’ which could be explored, and she confirmed that the cost of any “invest to save” schemes was being netted off the savings amount. In response to Mr B Patel Non-Executive Director’s concerns re: CMG CIP delivery, the Acting Chief Operating Officer advised that strengthened governance processes were in place supported by the transformation team and by the Trust-wide budget management training about to be launched. She emphasised the need for a positive approach to the CIP programme and she considered that the savings were deliverable, but she urged FIC to be appropriately mindful of the scale of the work required in addition to Covid-19 restoration and recovery and other operational requirements. When pressed to clarify this by the FIC Non-Executive Director Chair, the Acting Chief Operating Officer clarified that she considered the CIP programme to be ambitious, but achievable with the right training and processes in place. She further considered that the programme was primarily reliant on good budget management principles, which should be in place as a matter of course.

The FIC Non-Executive Director Chair emphasised the need to deliver whatever CIP target was ultimately agreed for 2021/22, and he requested assurance on whether the necessary tools and techniques for delivery were available to CMGs and the transformation team. The Director of Quality Transformation and Efficiency Improvement confirmed that the transformation team would monitor the position each month, with the income and expenditure impact also tracked monthly by the Chief Financial Officer. The Director of Quality Transformation and Efficiency Improvement also noted the very positive and impactful leadership provided on the workforce workstreams by the Chief People Officer, and she commented on the rise in NHS job applications generally.

The FIC Non-Executive Director Chair voiced concern over the workforce savings; he considered that appropriate establishment levels were crucial to achieving such savings and he requested that the Director of Quality Transformation and Efficiency Improvement review the establishment numbers accordingly. The FIC Non-Executive Director Chair also advised of his view that bank and agency reductions were non-permanent savings, with appropriate processes needing to be put into place to avoid such expenditure rising again in future. He also queried the likelihood of being able to cease overtime by August 2021. He questioned how UHL payrates had been able to increase above Agenda for Change levels, commenting on the need to remove authorisation for any such increase in future. The FIC Non-Executive Director Chair further commented on the need for UHL to become “expert” at removing costs.

The 2020/21 transformation process and 2021/22 CIP potential opportunity discussions are highlighted to the Trust Board for information.

- **Verbal update on strengthening the UHL Finance Department** – the FIC Non-Executive Director Chair advised that this item had been appropriately covered in the discussion on the financial governance improvement plan, and that no separate update was therefore required.
- **2020/21 capital plan update** – paper J updated FIC on the status of UHL’s £83.9m capital programme for 2020/21, noting the significant expenditure scheduled for the last few months of the year. Capital expenditure as at 31 January 2021 stood at £36.5m which was £5.5m below plan. The Director of Operational Finance advised that he was reviewing reporting processes to ensure all appropriate expenditure was being captured. Any potential regional-level brokerage was being discussed with NHSE/I, and the Trust continued to work on

maximising the amount of capital available to UHL in 2021/22. The FIC Non-Executive Director Chair advised that he had expressed his concerns over the capital programme to the Chief Financial Officer on 24 February 2021; the FIC Non-Executive Director Chair requested that FIC receive additional information in the next capital plan update accordingly, setting out the anticipated 2021/22 capital plan and including a narrative (in existing table 2) re: the 2021/22 position and any movement. The Director of Operational Finance confirmed that this would be actioned for the next FIC update.

- **Financial Recovery Board (FRB)** – FIC received and noted for information the action notes from the FRB meetings held on 20 January 2021 and 3 February 2021, and the agenda from the FRB meeting on 17 February 2021.
- **Items for noting** – the following reports were received for information:-
 - Executive Finance and Performance Board action notes from 26 January 2021, and
 - Executive Finance and Performance Board agenda from 23 February 2021.

Public matters requiring Trust Board consideration and/or approval:

Recommendations for approval

- discussions under the financial governance improvement plan item

Items highlighted to the Trust Board for information

- Transformation progress 2020/21 and CIP planning 2021/22.

Matters referred to other Committees:

Consideration of the shape and appropriateness of UHL’s workforce – to People Process and Performance Committee

Date of next FIC meeting:	25 March 2021
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