

## Cover report to the Trust Board meeting to be held on 1 April 2021

Trust Board paper F4

<b>Report Title:</b>	<b>Finance and Investment Committee – Committee Chair’s Report</b>
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<b>Reporting Committee:</b>	<b>Finance and Investment Committee (FIC)</b>
<b>Chaired by:</b>	Andrew Johnson, Non-Executive Director
<b>Lead Executive Director(s):</b>	Simon Lazarus, Chief Financial Officer and Debra Mitchell, Acting Chief Operating Officer
<b>Date of FIC:</b>	25 March 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 March 2021 (*involving Mr A Johnson FIC Non-Executive Director Chair; Col (Ret’d) I Crowe Non-Executive Director; Ms K Gillatt Associate Non-Executive Director; Mr I Orrell Associate Non-Executive Director; Mr B Patel Non-Executive Director; Mr M Williams Non-Executive Director [part]; Mr S Lazarus Chief Financial Officer; Ms D Mitchell Acting Chief Operating Officer; Miss M Durbridge Director of Quality Transformation and Efficiency Improvement; Mr D Streets Head of Procurement and Supplies [part]; Mr N Bond Deputy Director of Estates and Facilities [part], and Mr M Archer Head of Operations CSI CMG [part]*). Full Minutes will be issued prior to the April 2021 FIC and May 2021 Trust Board.

- 2021/22 quarter 1 draft financial plan** – the Chief Financial Officer presented the draft financial expenditure plan for quarter 1 of 2021/22, which was based on January 2021 expenditure levels (2021/22 income levels were not yet notified). 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; in response, although now providing verbal assurance that both workforce and activity assumptions 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 the report. 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 pay awards were not included in the 2021/22 draft quarter 1 financial plan.

***Subject to the inclusion of further detail on the underlying assumptions, the 2021/22 quarter 1 draft financial plan is endorsed and recommended for Trust Board approval.***

- Transformation Programme Update 2020/21 and draft 2021/22 Quarter 1 Cost Improvement Programme (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 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 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 above, the report set out a draft 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 – in response to a query from Mr I Orrell Associate Non-Executive Director on the level of 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, the Director of Quality Transformation and Efficiency Improvement advised that the detail of the (significant savings generating) workforce CIP schemes had been presented to a previous FIC 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.

***The 2021/22 quarter 1 draft CIP plan is endorsed and recommended for Trust Board approval.***

- **Procurement Contracts Committee (PCC) – draft 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. 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 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 attendees requested a number of changes to the draft terms of reference, to appropriately reflect/clarify the PCC's role in:
  - (i) overseeing/discussing the procurement elements of the CIP plan;
  - (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 throughout the Trust, and
  - (vi) clarity of 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 on the requirements of the Public Contract Regulations 2015. 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.

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 emphasised the key need for timely action on contracts and for clarity of process. He believed that its establishment would progressively lead to better contract management and better contract outcomes for the Trust. He requested an update on the working of the Procurement Contracts Committee to the July 2021 FIC.

***Subject to the comments above and the resulting amendments to the terms of reference, FIC supported the establishment of the new Procurement Contracts Committee.***

- **2020/21 month 11 financial performance and forecast outturn** – the Chief Financial Officer briefed FIC on the Trust's year to date financial performance as at month 11, 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. 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 and advised that restoration and recovery plans to reduce the backlog should be viewed as a separate issue from then resuming normal activity levels. Mr I Orrell Associate Non-Executive Director requested assurance on the Trust's confidence in the 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, given the significant impact of workforce spend on Trusts' financial positions – in response, the FIC Non-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 2020/21 month 11 financial position is highlighted to the Trust Board for information.***

- **2020/21 capital plan update and draft capital programme 2021/22** – 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.
- **Financial Recovery Board (FRB)** – FIC received and noted for information the action notes from the FRB meetings held on 17 February 2021 and 3 March 2021, and the agenda from the FRB meeting on 17 March 2021.
- **Items for noting** – the following reports were received for information:-
  - Property update;
  - Executive Finance and Performance Board action notes from 23 February 2021, and
  - Executive Finance and Performance Board agenda from 23 March 2021.

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

***Recommendations for approval***

- 2021/22 draft quarter 1 financial plan and draft quarter 1 CIP plan.

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

- establishment of a UHL Procurement Contracts Committee;
- 2020/21 month 11 financial position.

**Matters referred to other Committees:**

None

**Date of next FIC meeting:**

29 April 2021