

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

Trust Board paper G4

<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</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>	28 January 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 28 January 2021 (*involving Mr A Johnson, FIC Non-Executive Director Chair; Ms K Gillatt, Associate Non-Executive Director; Mr M Williams, Non-Executive Director; Mr S Lazarus, Chief Financial Officer; Ms D Mitchell, Acting Chief Operating Officer; Mr R Cooper, Financial Improvement Director; Mr J Shuter, Director of Operational Finance; Miss M Durbridge, Director of Quality Transformation and Efficiency Improvement; Mr D Kerr, Director of Estates and Facilities [part].* NB: this meeting was inquorate. Full Minutes will be issued prior to the February 2021 FIC and March 2021 Trust Board meeting.

- UHL Contract Management Arrangements** – the Director of Estates and Facilities introduced paper C, providing an update on progress of rolling out UHL’s Contract Management Framework and highlighting the next steps to improve contract management in light of global pandemic pressures on supply chains and suppliers, and increase grip and control in this key area. Following an Internal Audit review of Contract Management in 2018, proposals for strengthening the approach had been presented to the Audit Committee in January 2019 and the Executive Quality and Performance Board (EQPB) in June 2019. A copy of the EQPB report was appended to paper C for information. This report included a number of detailed appendices including an action plan (at appendix 2). In terms of the next steps, it was proposed to establish a Procurement, Contracts and Performance Committee with effect from 1 April 2021. It was agreed that the draft membership and Terms of Reference for this Committee would be submitted to the February 2021 FIC for approval. In the meantime, a master list of all contracts was being compiled for appropriate scrutiny. In response to a query from the FIC Non-Executive Director Chair, it was confirmed that the proposed Contract Management Software solution had been approved by the Financial Recovery Board (FRB). The Director of Quality Transformation and Efficiency Improvement expanded upon the benefits of this software solution which would provide improved oversight of contracts and benchmarking data with peer group Trusts. The Head of Procurement and Supplies was currently resolving some licensing issues, but the two systems would be running in parallel until the full migration was implemented.

Mr M Williams, Non-Executive Director noted that the system was currently monitoring approximately 600 contracts, but he highlighted the need to review total expenditure with UHL’s suppliers to identify the scope to implement additional contractual arrangements. He also noted highlighted the efficiency gains associated with better/smarter procurement processes, forward procurement planning and implementation of procurement-to-pay systems. The Director of Estates and Facilities acknowledged that there was some scope for improvement in these areas and he would be liaising with the Head of Procurement and Supplies and the Chief Financial Officer’s team to address areas of uncontracted expenditure and strengthen the roles of the procurement and supplies function at UHL. Training would be a key component of this work. In addition, a detailed piece of work was taking place with Kingsgate to identify and validate the scope of efficiency savings for 2021/22. In respect of procurement-to-pay systems, the Director of Estates and Facilities undertook to review the Minutes of the 27 January 2021 Audit Committee (where this had been discussed) and follow-up on the information accordingly.

The Chief Financial Officer provided his view that UHL’s processes for contract negotiations and obtaining supplier discounts were as good as any that he had seen in the NHS, but he highlighted a weakness in terms of the percentage of orders that were covered by a purchase order. He provided assurance that Mr S Linthwaite, the recently appointed Deputy Director of Financial Services had good experience of using technology to strengthen the links between the supply chain and processing of invoices and he was already developing proposals for modernising UHL’s arrangements. The Director of Quality Transformation and Efficiency Improvement advised that an initial allocation of £4m had been included in the 2021/22 CIP for procurement efficiency schemes and she offered to provide a breakdown of these schemes in her FIC update for February 2021. In response, the FIC Non-Executive Director Chair queried whether £4m was sufficiently ambitious, noting that opportunities for recurrent savings were not always factored in when renewing an existing contract. He highlighted that suppliers’ set-up costs were usually amortised across the profile of the contract, and UHL should be able to negotiate a greater

discount when extending an existing contract in the absence of set-up costs. Discussion also took place regarding the need for standardisation of supplies (eg surgeons' gloves), and the need to distinguish between actual cash savings and more general efficiency savings. The Director of Operational Finance added that every financial commitment should be covered by a purchase order and the Trust's Standing Orders and Standing Financial Instructions were being updated to provide clarity in this respect. The Acting Chief Operating Officer supported the comments about purchase order compliance, confirming that this aspect would be picked up in the training package which was about to be launched at UHL. Ms K Gillatt, Associate NED expressed a particular interest in end-to-end processing design for Corporate Services and she offered her support in this area.

- **2020/21 Transformation and Cost Improvement Programme (CIP) Update** – the Director of Quality Transformation and Efficiency Improvement introduced paper E, updating FIC on progress of CIP schemes for months 7 to 12 of 2020/21 and the development of CIP schemes for 2021/22. The report also briefed FIC on the wider cultural quality and efficiency transformation work. The 2020/21 CIP tracker was being recalibrated on a weekly basis, but the forecast currently stood at £8.473m and there was a strong likelihood that the £8m target would be met in full. A new table had been provided in section 2.3 showing the movements in forecast outturn, the value of schemes that had been risk adjusted and the value of recurrent schemes. Section 2.4 provided a breakdown of CIP schemes by Clinical Management Group (CMG). As part of the 2021/22 CIP planning process, all corporate functions had joined together to ensure an all-inclusive plan and the tracker would be in place by the end of January 2021. A summary of the 2021/22 CIP tracker would be included in the February 2021 FIC report. In addition to reviewing CIP opportunities, the coaching for the CMG leadership teams included a focus upon culture, grip and control and governance procedures. Taxi expenditure was provided as a good example of the need to improve corporate oversight, grip and control although it was noted that there were legislative issues surrounding the metred costs of the hackney-type taxis which would preclude the negotiation of preferential rates.

The Director of Quality Transformation and Efficiency Improvement provided an update on key 'invest to save' schemes which included an opportunity to resolve some legacy staff contracts in Estates and Facilities. Once the residual issues had been resolved, a proposal would be presented to FRB approval. Discussion took place regarding the greater use of Healthroster for Estates and Facilities staff and the FIC Non-Executive Director Chair provided his view that fingerprint recognition systems were an effective tool for improving workforce efficiency. Since the report had been written, progress had improved in respect of the number of CIP schemes that had been assessed for any quality impacts. Due to operational pressures associated with the Covid-19 pandemic, there had been a slight delay in the timescale for presenting the Becoming the Best Transformation Highlight Reports to the relevant Executive Boards, but this process was expected to commence in February 2021. In discussion on the report, the FIC Non-Executive Director Chair noted the challenges associated with validating CIP schemes and the absolute need to ensure that genuine recurrent savings were being achieved and that the associated savings could be projected forwards for inclusion in the budget-setting for 2021/22. In respect of 'invest to save' schemes, he advised of a cautious approach to ensure that the forecast savings were delivered within a commercially-acceptable timeframe. The Acting Chief Operating Officer highlighted the need to model the phasing of CIP schemes in a realistic manner to take account of any part-year effects. Following a meeting of the Workforce CIP cell held on 27 January 2021, she provided assurance that reductions in workforce, bank and agency expenditure were being triangulated appropriately and that the savings were being tracked within the run-rate for that month and modelled forward. Particular discussion took place regarding the need for a formal benefits realisation process to accompany the 'invest to save' process and Ms K Gillatt, Associate Non-Executive Director queried which project management techniques were being used to ensure that services were not reverting back to their old ways following such investment. Noting that evaluations were not currently articulated in this way, the Director of Quality Transformation and Efficiency Improvement undertook to develop proposals to embed a formal post-investment evaluation mechanism after six months or one year (as appropriate).

- **Plan to Strengthen Financial Governance** – the Financial Improvement Director introduced paper H, providing the monthly progress report on UHL's Financial Governance Improvement Plan (FGIP). The full assurance report was provided at appendix 1 and the eight current priority focus areas were set out on page 2 of the Executive Summary. Good progress was noted with improving the financial reporting arrangements, response to the draft audit letter and addressing the gaps in capacity and capability. The FIC Non-Executive Director Chair provided his view that he was happy with progress and that changes were happening and being evidenced appropriately.
- **Update on Strengthening the UHL Finance Department** – the Chief Financial Officer introduced paper J, confirming the interim and substantive resources that had been brought in to ensure that UHL's Finance Department was strong enough to meeting the 'business as usual' requirements and the additional requirements associated with Financial Special Measures. Appendix 1 set out the key roles and responsibilities for each post holder. In addition to the 9 posts listed, an additional 2 band 7 posts had been recruited. Appendix 2 set out a high level timetable for a restructure of the Finance Department, which was planned to be completed by January 2022. The FIC Non-Executive Director Chair particularly welcomed the additional resources with expertise in balance sheet techniques, noting that he had previously highlighted a weakness in this area.

- **Financial Recovery Board (FRB)** – FIC received and noted for information the action notes from meetings of the FRB held on 15 December 2020 and 6 January 2021, and the agenda from the FRB meeting on 20 January 2021.
- **Items for noting** – the following reports were received for information:-
  - Executive Finance and Performance Board action notes from 15 December 2020, and
  - Executive Finance and Performance Board agenda from 26 January 2021.

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

***Recommendations for approval***

- As the FIC meeting was inquorate, the Trust Board would be required to endorse all decisions and recommendations arising from this meeting.

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

- UHL Contract Management Arrangements, and
- 2020/21 Transformation and Cost Improvement Programme (CIP) Update.

**Matters referred to other Committees:**

None

<b>Date of next FIC meeting:</b>	25 February 2021
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