

## Summary for Trust Board members

<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>	Richard Mitchell Chief Executive, Rob Cooper Interim Chief Financial Officer, Debra Mitchell Acting Chief Operating Officer
<b>Date of FIC:</b>	25 November 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 November 2021 (*involving Mr A Johnson FIC Non-Executive Director Chair; Mr R Cooper Interim Chief Financial Officer; Miss M Durbridge Director of Quality Transformation Efficiency and Improvement; Ms K Gillatt Associate Non-Executive Director; Mr D Kerr Director of Estates and Facilities [part]; Ms F Lennon Deputy Chief Operating Officer; Mr R Mitchell Chief Executive; Mr I Orrell Associate Non-Executive Director; Mr B Patel Non-Executive Director, and Mr J Shuter Director of Operational Finance*). Full Minutes were approved at the December 2021 FIC, and circulated to the February 2022 Trust Board.

- 2021/22 month 7 capital plan update** – actual year to date capital expenditure was £25.2m as at month 7, representing an underspend of £2.8m against forecast (details as set out in the report, including reasons for the variance). In response to queries raised at the October 2021 FIC, the report advised that the Trust was forecasting to fully deliver its CDEL, and provided additional detail on the national TIF (targeted investment fund) bids. The combination of updated forecasts, inclusion of new schemes, and identification of additional funding had resulted in a current overall forecast slippage of £1.2m on the 2021/22 capital plan, which could be used both to provide headroom to address any emergency capital requirements between now and the financial year-end, and to provide an opportunity to bring forward any approved schemes from 2022/23 as appropriate. The capital impact of the Vanguard enabling works was being assessed by the Trust. FIC noted the increasing need to manage the capital envelope on a system basis. The FIC Non-Executive Director Chair welcomed the report, advising that he took assurance from the Trust’s increasingly-active management of its capital plan, and from the more robust processes which were now in place. In light of the increasing activity and recruitment pressures facing the Trust, the FIC Non-Executive Director Chair noted the need for appropriately-innovative revenue and capital approaches to those pressures. He also noted the benefits of adopting a rolling 3-year ‘capital horizon’. The Director of Estates and Facilities reiterated his previous comments on the challenges posed by late in-year notification of additional capital allocations, and the Deputy Director of Finance (Financial Services) noted the capital impact of IFRS16 changes from April 2022.
- 2021/22 month 7 financial performance** – the Trust continued to be ahead of both plan and the H1 forecast, with an actual position (including Top Up funding) of a £3.5m surplus, which was £3.5m favourable to plan, primarily due to operational drivers (continued constraints on elective recovery activity due to very significant emergency pressures). The year to date position was a £8.9m surplus. The waterfall chart within paper F showed the movements between the month 7 forecast outturn and the month 7 actual position. The Trust’s cash position remained very strong, although the FIC Non-Executive Director Chair noted the need to plan appropriately in the event of anticipated future changes to that position. CMG and Corporate Directorate budgets for months 7 and 8 were based on the month 6 budget adjusted for the impact of the national pay award, with revised budgets for the remainder of H2 due to be presented to the December 2021 Executive Finance and Performance Board once detailed planning work was completed.

The Interim Chief Financial Officer provided assurance to FIC that he considered the Trust’s financial reporting to be significantly better than previously; it would be helpful, however, to add a forward 3-month forecast of WTEs to the ‘key highlights’ slide of the report. He also briefed FIC on the likely basis of 2022/23 planning assumptions, and advised that the early planning now underway by UHL would be helpful in demonstrating its appropriate grip on costs. The Chief Executive further emphasised the need for UHL to clearly focus its spending on patient care, on improving the emergency pathway, and on reducing waiting lists. With regard to UHL’s financial position overall, the Interim Chief Financial Officer strongly encouraged the Trust to sight system colleagues to any anticipated significant forecast year-end underspend (FIC noted assurance now provided re: Executive Director close contact with CMGs on a weekly basis to review expenditure).

Although acknowledging and welcoming the improved financial reporting, the FIC Non-Executive Director Chair commented that a break-even position had been anticipated for H1 rather than the current surplus, and he noted

that the Trust was currently significantly down on its WTE planned position. He also emphasised the need for the Trust to remain appropriately mindful of its underlying financial position, to ensure that it made best use of the financial resources available to it, and to consider assessing whether there was any scope to convert the current lower-than-expected staffing position to permanent future CIP savings. It was observed that the bridge within the month 7 report included a number of non-recurrent windfalls, which should be disregarded going forward. Ms K Gillatt Associate Non-Executive Director also considered that more forensic tracking of the pipeline of staff costs and in particular planned recruitment would improve the ability to forecast expenditure.

*The month 7 financial position is highlighted to Trust Board members for information.*

- **Medium term financial plan** - the Interim Chief Financial Officer noted the benefits of moving towards a 5-year plan reflecting planning and reconfiguration aspects, although this was an issue for the future once new Trust Board members were fully in place rather than an immediate priority.
- **Transformation and 2021/22 CIP update** – FIC received an update on (1) the 2021/22 CIP position; (2) investments, and (3) 2022/23 CIP planning. With regard to the 2021/22 CIP position, the Trust was anticipating full delivery of the £22m CIP, comprising £16m cash-releasing savings and £6m non-cash-releasing savings. The FIC Non-Executive Director Chair welcomed the progress made on the cash-releasing/non-cash-releasing split. The recurrent position had improved to 68%, however there was a risk to the 2022/23 position if recurrent schemes were not found in-year, and the transformation team continued to use the regular accountability meetings to appropriately challenge CMGs and Corporate Directorates to assess whether non-recurrent schemes could be made recurrent. Quality and safety considerations remained of paramount importance however. Transferable lessons from over-achieving CMG/Corporate CIP delivery were appropriately shared. FIC requested assurance that appropriate steps were being taken to ensure patient and public involvement; in response the Director of Quality Transformation Efficiency and Improvement outlined plans to further strengthen engagement in 2022/23, and noted discussions on this issue scheduled for the 25 November 2021 Quality Committee. In further discussion and in light of the Trust’s current overall financial surplus, the Chief Executive queried if it would be preferable at this stage to focus efforts on the 2022/23 CIP. He reiterated the need to focus on cost control, and queried whether discussions had been held with CMGs and the wider Trust leadership community on ideas for reducing waiting lists. The FIC Non-Executive Director Chair welcomed this challenge from the Chief Executive, suggesting that the implications of and potential initiatives arising from it should be discussed further in an executive forum. With regard to the process for annual consideration of investments, the Transformation Team would present a Standard Operating Procedure (SOP) to the next FIC, replicating the robust, 3-stage investment review used in 2021/22. With regard to 2022/23 CIP planning, a detailed discussion had taken place with CMGs at the November 2021 Executive Finance and Performance Board, and the Director of Quality Transformation Efficiency and Improvement outlined the 4 key principles informing the Trust’s approach. An update on the early draft of the plans together with any associated risks and issues, would be presented to the next FIC (following further internal and system-level engagement), with the final version anticipated for the January 2022 FIC. The Transformation Team was also reviewing UHL’s CIP against that of peer Trusts, and would include an update on that work in the next CIP update report to FIC. The FIC Non-Executive Director Chair queried if the level of ambition for 2022/23 was appropriate given the overall expectations of the Trust to seek savings beyond the generic NHS targets.  
*The transformation and CIP update is highlighted to Trust Board members for information.*
- **Financial Recovery Board (FRB)** – FIC received and noted for information the actions from the FRB meeting held on 27 October 2021. FRB had now been stood down, and its business would instead be routed through the Executive Finance and Performance Board.
- **Items for noting** – the following reports were received for information:-
  - Executive Finance and Performance Board agenda for 23 November 2021.

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

**Recommendations for approval**

- none

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

- 2021/22 month 7 financial position, and
- Transformation and CIP progress.

**Public matters referred to other Committees:**

- None

**Date of next FIC meeting:** 23 December 2021