

Summary for Trust Board members

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):	Richard Mitchell Chief Executive, Rob Cooper Interim Chief Financial Officer, Debra Mitchell Acting Chief Operating Officer
Date of FIC:	23 December 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 23 December 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; Mr A Furlong Medical Director; Ms K Gillatt Associate Non-Executive Director; Mr D Kerr Director of Estates and Facilities [part]; Ms S Taylor Assistant Director of Operations (Planned Care); Mr R Mitchell Chief Executive; Mr I Orrell Associate Non-Executive Director; Mr B Patel Non-Executive Director; Mr J Shuter Director of Operational Finance, and Mr M Williams Non-Executive Director*). Full Minutes were presented at the January 2022 FIC and circulated for the February 2022 Trust Board.

- 2021/22 month 8 capital plan update** – actual year to date capital expenditure was £28.7m as at month 8, representing an underspend of £0.7m against forecast (details as set out in the report, including reasons for the variance). The main area of underspend related to Estates schemes, particularly the Cath Lab. The UHL capital plan currently stood at £67.2m for 2021/22, including potential slippage of £1.8m against STP capital funding; reflecting schemes approved and other updates at the December 2021 CMIC meeting, total forecast expenditure was increased to £70.6m with expenditure in line with the Trust’s capital funding (excluding utilisation of system capital funding of £2.6m). However, the Deputy Financial Improvement Director advised FIC that should identified risks materialise, expenditure could increase to £71.3m resulting in utilisation of £0.7m of the available system capital funding. The detailed movements underpinning these changes were explained in the report discussed by FIC, including removal of 2 lease schemes (final accounting treatment confirmation awaited). Following a review of their schemes by the UHL capital subgroup leads, the position re: system capital funding requirements would shortly be confirmed to system colleagues. The Director of Operational Finance highlighted the challenges resulting from late in-year notification of specific large-scale capital funding opportunities, and advised that clarification was awaited re: the Targeted Investment Fund (TIF) envelope. The scope to carry forward capital funds would be reviewed in month 9. There were some significant risks to the capital programme, despite the active management and continuous review work by the capital subgroup leads. Mr M Williams Non-Executive Director echoed this risk, noting the significant spend required for the remainder of the year to deliver a £70m capital plan, and requested assurance that appropriate bring-forward schemes were being identified. In response, the Director of Operational Finance confirmed that bring-forward opportunities were being reviewed, and he noted also the need to be mindful of the resulting impact on the 2022/23 capital programme. In her comments, Ms K Gillatt Associate Non-Executive Director suggested that a specific pharmacy robot scheme might be appropriate for bring-forward.

The FIC Non-Executive Director Chair noted that FIC was reassured by the capital plan presented, but was not assured that it was sufficiently realistic given the amount of unspent and uncommitted funds and the proximity to year-end. Further detailed work was required to ensure that the commitments presented were realistic.

- 2021/22 month 8 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 £2.1m surplus, which was £2m favourable to forecast and plan, primarily due to operational drivers (continued constraints on elective recovery activity due to very significant emergency pressures). The year to date position was an £11m surplus, reflecting appropriate adjustments relating to the previous year. There was a potential for further appropriate such adjustments until the final accounts were closed. UHL continued to forecast a break-even position for 2021/22 year-end, as system headroom funding would only be draw down if required – the position re: operational pressures and the need for access to system headroom funding would continue to be closely monitored with the Trust’s Clinical Management Groups. The Trust’s cash position remained strong and, as previously requested by FIC, the monthly finance report now also showed the WTE forecast as at month 8. The FIC Non-Executive Director Chair reiterated his view that the current year-end break-even forecast was optimistic about the level of expenditure possible, and, in his opinion, the actual year-end position was likely to be more of a surplus than the current forecast. The Director of Operational Finance agreed that the month 9 position would be crucial. The Finance Team continued to monitor the position closely and were reviewing the total available flexibility at system level. Ms K Gillatt Associate

Non-Executive Director requested clarity and assurance on the position re: pay costs and the workforce profile, noting high levels of both substantive staffing and bank/agency use. In response, the Interim Chief Financial Officer commented that winter was usually associated with higher levels of bank and agency staff use; he noted the Trust's continued focus on pay spend and he considered that CMGs were able to demonstrate a grip on spend. He acknowledged, however, that it would be challenging to deliver the envisaged recruitment levels. Although noting these points, Ms K Gillatt Associate Non-Executive Director considered that greater understanding was needed on the substantive paycost drivers and whether the position was recoverable; she also queried the national position in terms of staff recruitment. The FIC Non-Executive Director Chair also considered that the forecast staffing numbers were optimistic given the current position. He noted the key risk issue of staff sickness absence and its effect on activity plans. The Director of Operational Finance noted the key need to understand the current workforce planning position, which was potentially a focus issue for the People and Culture Committee rather than FIC. The Chief Executive considered that the short-term priority was to continue to ensure that safe staffing levels were in place through the current pressures to year-end, with a longer-term workforce plan required for beyond that; he also emphasised the need to improve UHL's ability to recruit and retain staff, including looking at training and education issues.

The FIC Non-Executive Director Chair considered that the month 8 finance position was a relatively controlled one, and well-balanced other than the staffing issues. He also commented on the good CIP progress this year and on the well-advanced plans for 2022/23.

The month 8 financial position is highlighted to Trust Board members for information.

- **2021/22 H1 Financial Plan: month 9-12 Budgets** - the Interim Chief Financial Officer confirmed the proposed budgets for months 9-12 of 2021/22, based on the financial plan submitted to NHSE/I on 25 November 2021.
- **Medium term financial plan** - the Interim Chief Financial Officer noted the need to incorporate the clinical strategy and system-wide position, and advised that increased system input would be sought going forward.
- **Transformation and 2021/22 CIP update** – FIC discussed (1) the 2021/22 CIP position; (2) investments; (3) 2022/23 CIP planning, and (4) CIP learning from other Trusts. 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 recurrent/non-recurrent split had improved, and the Director of Quality Transformation Efficiency and Improvement noted that the target for the 2022/23 CIP plan was for 80% recurrent savings. A risk-based investments process/timeline had also now been developed by the Transformation Team; the process for 2022/23 would largely mirror that used in 2021/22. The list of potential CIP opportunities for 2022/23 had been updated following Clinical and Executive Director discussion in November 2021, and the updated version with estimated values was now presented. The Director of Quality Transformation Efficiency and Improvement took FIC through the various changes to the estimated CIP values for those opportunities (particularly noting discussions on the medical productivity (efficiency savings) workstream), resulting in a potential £30m CIP opportunity of which £22m was cash-out. With regard to CIP learning from other Trusts, UHL was considered to be broadly in the pack of its peers, although there were transferable lessons on the appropriate badging of CIP schemes. The FIC Non-Executive Director Chair welcomed the report, particularly the detail on 2022/23 CIP planning and the learning from other Trusts. The FIC Non-Executive Director Chair considered that good progress had been made, resulting in greater control of UHL's CIP process than previously. He also noted the key importance of the recurrent/non-recurrent split in order to understand the impact on the bottom line.

The transformation and CIP update is highlighted to Trust Board members for information.

- **Assurance roadmap to sustainable financial improvement** – FIC noted positive progress on 3 risks, which were now rated as 'green'. A further stocktake of UHL's Financial Special Measures position would take place at the end of March 2022. The accounts risk remained red, as in previous iterations of the assurance roadmap. The FIC Non-Executive Director Chair welcomed the 'completed evidence' summary in section C of the roadmap, and considered that the forward look section was clearer than had previously been the case.
- **Executive Finance and Performance Board** – FIC received and noted the Executive Finance and Performance Board actions from 23 November 2021, and the agenda for the EFPB meeting on 21 December 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 8 financial position, and
- Transformation and CIP progress.

Public matters referred to other Committees:

- None

Date of next FIC meeting: 27 January 2022