**Report to the Meeting of the**

**Oxford Health NHS Foundation Trust**

**RR/App 37/2021**

(Agenda item: 18)

**Finance and Investment Committee**

**20 May 2021**

**Finance and Investment Committee Annual Report 2020/21**

**For Approval**

**Executive Summary**

The Annual Report summarises the performance and work programme of the Finance and Investment Committee during the period 01 April 2020 to 31 March 2021.

**Governance Route/Approval Process**

The Finance and Investment Committee is asked to review and approve the Annual Report for presentation to the Board of Directors. The Audit Committee will also receive a copy of the Finance and Investment Committee’s Annual Report and take an overview of the work of the Finance and Investment Committee.

**Strategic Objectives/Priorities**– this report relates to or provides assurance and evidence against the following Strategic Objectives/Priorities of the Trust:

3) Sustainability – Make best use of our resources and protect the environment.

**Recommendation**

The Committee is requested to approve the report.

**Author and Title: Susan Wall, Corporate Governance Officer**

**Lead Executive Director: Kerry Rogers, Director of Corporate Affairs & Company Secretary**

1. *A risk assessment has been undertaken around the legal issues that this report presents and there are no issues that need to be referred to the Trust Solicitors.*
2. *This report satisfies or provides assurance and evidence against the requirements of the following* ***Terms of Reference of the Finance & Investment Committee****:*

* *to ensure there is a comprehensive governance framework covering the* ***capital programme*** *and that the Trust can demonstrate* ***Value For Money*** *(VFM) in its investment decisions and delivery of the programme and to receive an annual report on securing VFM;*
* *to consider and approve all* ***capital expenditure*** *proposals, acquisitions and disposals within the authorities delegated to the Committee:*
  + *critically scrutinise all* ***business cases*** *over £500K;*
  + *approve business cases over £500K less than £2m; and*
  + *make recommendations to the Board on approval over £2m;*
* *to approve all PIDs (Project Initiation Documents) for schemes over £2m;*
* *to approve any* ***forecast variation*** *of £100-500K of the approved budget for a* ***capital development*** *in line with the Budgetary Control policy;*
* *to critically review the* ***Financial Strategy, Estates Strategy and ICT Strategy*** *with a recommendation to the Board on approval and to receive annual progress reports on the anniversary of their approval, review recommendations on variations to strategy and approve supporting strategies relating to these key strategies;*
* *to annually review the* ***capital programme*** *and make a recommendation to the Board. To monitor delivery of the* ***capital investment programme*** *through quarterly progress reports from the Capital Programme sub-committee and to receive an annual report from the Capital Programme sub-committee on the performance of project delivery. To agree and monitor the work of the Capital Programme sub-committee and review annually its terms of reference, performance and effectiveness;*
* *to review the governance arrangements for the capital investment programme by request from the Audit Committee on the basis of a recommendation arising from an assurance report;*
* *to consider* ***evaluation reports for capital schemes*** *over £2m;*
* *to approve any* ***financing*** *or use of financial instruments within its delegation;*
* *to discuss and review* ***budgets and strategic plans*** *for submission to the Board and recommend changes in financial strategy in the following areas:* ***resource management, LDP, capital structure, borrowing, interest exposure, tax planning and investment****;*
* *to review compliance with financing agreements and covenants and the operation of* ***treasury management policies*** *including setting benchmarks for assessing the Treasury function’s performance and reviewing a market testing exercise performed annually covering the permitted investment institutions adopted by the Trust; or*
* *to consider any changes to* ***accounting policies*** *before the Audit Committee scrutinises the statutory accounts.*

**Finance and Investment Committee Annual Report 2020/21**

**For the period 01April 2020 to 31March 2021**

The Finance and Investment Committee is the principal sub-committee of the Board with responsibility to ensure the effective planning and scrutiny of financial matters and decisions that the Board has determined should be reserved to the Board. This Committee provides assurance to the Board on key financial issues relevant to the Trust and in particular it scrutinises investment decisions and policy, financial plans and reports and approves the development of financial reporting, strategy, and financial policies. The Committee also ensures there is a comprehensive governance framework covering the capital programme, and that the Trust can demonstrate Value For Money (**VFM**) in its investment decisions and delivery of the programme.

1. **Membership of the Committee and Frequency of Meetings**

The core membership of the Committee includes the Chair of the Trust, two Non-Executive Directors (one from a financial and/or commercial background), the Chief Executive and the Director of Finance. Chris Hurst, Non-Executive Director, was the Chair of the Committee during the reporting period.

Meetings will occur no less than five times per year. The Committee met 7 times in the reporting period.

The quorum for the Committee is three members to include at least two Non-Executive Directors (which could include the Chair of the Trust) and one Executive Director.

***Attendance by Committee members:***

|  |  |
| --- | --- |
| **Committee member** | **Attendance** |
| Chris Hurst (Non-Executive Director, Committee Chair) | 7/7\*\* |
| John Allison (Non-Executive Director) | 7/7\*\* |
| David Walker (Trust Chair) | 6/7\*\* |
| Stuart Bell (Chief Executive Officer) | 0/1 |
| Nick Broughton (Chief Executive Officer) | 4/6\*\* |
| Mike McEnaney (Director of Finance) | 6/7\*\* |

A quorum has been achieved at 7 out of 7 meetings.

***Regular attendees of the Committee and their attendance:***

During the reporting period, the following officers of the Trust and other interested parties were invited to attend for all or part of meetings:

|  |  |
| --- | --- |
| **Regular Attendee** | **Attendance** |
| Katrina Anderson (Service Director Oxon & BSW Mental Health) | 2/6\* |
| Alison Corfield (Head of Clinical Systems) | 1/6\* |
| Claire Dally (Director of Estates and Facilities) | 5/6\* |
| Jude Deacon (Director of Forensic Mental Health) | 1/6\* |
| Paul Dodd (Deputy Director of Finance) | 5/6 |
| Karen Drabble (Head of Thames Valley & Wessex Forensic Network Programme) | 1/6\* |
| Jo Faulkner (Head of Forensic Services) | 1/6\* |
| Duncan Ford (Provider Collaboratives Lead (Eating Disorders) | 1/6\* |
| Alison Gordon (Head of Financial Management) | 1/6\* |
| Mark Hancock (Medical Director) | 1/6\* |
| Will Harper (Head of IT) | 1/6\* |
| Neil McLaughlin (Trust Solicitor & Risk Manager) | 1/6\* |
| Aroop Mozumder (Non-Executive Director) | 0/1\*\* |
| Paul Pattison (Senior Directorate Accountant) | 3/6\* |
| Debbie Richards (Executive Managing Director for Mental Health and LD&A Service ) | 2/6\* |
| Kerry Rogers (Director of Corporate Affairs & Company Secretary) | 5/7\*\* |
| Mohinder Sawhney (Non-Executive Director) | 2/3\*\* |
| Andrea Shand (Head of Service CAMHS and ED Transformation) | 2/6\* |
| Hannah Smith (Assistant Trust Secretary) | 5/7\*\* |
| Monika Trzaskowska (Technical Project Manager) | 1/6\* |
| Paul Vincent (Head of Costing) | 1/6\* |
| Martyn Ward (Director of Strategy & Chief Information Officer) | 5/6 |
| Christopher Watts (Service Change Manager) | 1/6\* |
| Lucy Weston (Non-Executive Director) | 1/1\*\* |
| Michael Williams (Financial Controller) | 2/6\* |

*\*Attended when invited to cover specific agenda items*

*\*\* Regular attendee of FIC or Member of Audit Committee who were required to attend the Extraordinary FIC with Audit 19 January 2021*

The Assistant Trust Secretary or the Corporate Governance Officer attended meetings during the reporting period to take a true and accurate record of the proceedings of the Committee.

During the reporting period, the following also attended to observe meetings:

|  |  |
| --- | --- |
| **Observer** | **Attendance** |
| Mark Byrne (General Manager, Oxford Pharmacy Store) | 1/6 |
| Chris Roberts (Lead Governor) | 1/6 |

1. **Business transacted by the Committee**

Set out below is the remit of the Committee together with a report on the business transacted over the reporting period 01 April 2020 to 31 March 2021.

* 1. **Consider and approve all capital expenditure proposals, acquisitions, and disposals within the authorities delegated to the Committee by the Board of Directors, under the Trust’s Scheme of Delegation:**
* **critically scrutinise all business cases over £500k;**
* **approve business cases (over £500 less than £2m); and**
* **make recommendations to the Board of Directors on approval over £2m.**

Warneford Foundation Strategic Outline Case (**SOC**)

During the reporting period the Committee discussed the Warneford project at each meeting to ensure situations and options were constantly being reviewed for the SOC to be amended and adapted when necessary. The Director of Finance, in May 2020, stated the Trust were perusing a Mental Health bid for the Trust to be considered for central funding for the scheme.

In July 2020, the Director of Finance outlined proposals for the transport plan would be included in the SOC programme, and in September informed planning was on hold until matters were progressed in relation to: funding for the hospital; agreement on any joint venture arrangements; valuation of the land; and a programme signed off by all parties. The project maintained support from the Minister for Mental Health, NHS England, and commissioners. An update paper went to the Board meeting in private on 26 November 2020. The following meetings took place to discuss the Warneford project: Extraordinary FIC with Audit Committee 19 January 2021; and Extraordinary Board meeting in private 26 February 2021.

* 1. **Approve all Project Initiation Documents (PIDs) for schemes over £2m.**

No PIDs for schemes over £2million were received.

* 1. **Approval of any forecast variation of £100-£500k of the approved budget for a capital development in line with the Budgetary Control policy.**

The Director of Finance presented Capital Programme Financial Update Reports at every meeting which provided actual results and a forecast of capital expenditure to the end of the financial year.

In May 2020, the Director of Finance stated a revised Capital Programme FY20 had been submitted to NHSI in April 2020, which included a capital investment of £17.6 million, and projected a slippage of circa £6 million from schemes being carried forward to FY21 plan.

At the July 2020 meeting the Financial Controller reported a revised FY21 plan of £21.8 million had been submitted to NHSI in May 2020. This was a £1.75 million decrease from the original Capital Plan, and the variance was due to re-alignment of funds with Buckinghamshire, Oxfordshire and Berkshire Integrated Care System (**BOB ICS**), and Mental Health funding received in FY20.

The Director of Finance reported in November 2020 that FY21 plans had been put on hold as the Trust was in receipt of block payments and top up payments to achieve breakeven status, the financial regime in place owing to the pandemic.

At the January 2021 meeting the Director of Finance reported the block payment regime was likely to be continued to the end of Q1 in FY22. He noted efficiency gains set by NHS/E were to be recovered by 2023/4.

* 1. **Critically review the Financial Strategy (the Long Term Financial Plan), Estates Strategy and ICT Strategy (delivery against the Global Digital Exemplar programme) with a recommendation to the Board of Directors on approval. Receive annual progress reports on the anniversary of their approval and review recommendations on variations to strategy. Approve supporting strategies relating to these key strategies.**

Financial Strategy (the Long Term Financial Plan)

In November 2020, the Director of Finance presented an update on the YTD financial position. The FY21 plans had been put on hold as the financial regime had been changed owing to the pandemic. The Trust received its revenue via a system of block payments and top up payments to achieve break even. It was noted the underlying deficit figure of £74,000 was in line with the FY21 plan, and a revised second half of the year financial plan for months 7 – 12 had been submitted to BOB ICS, and to NHS England/Improvement (**NHS E/I**). It was noted that Mental Health Investment Standard monies outstanding at been received from the Oxfordshire Clinical Commissioning Group (**OCCG**)

The Deputy Director of Finance in March 2021 stated the Financial plan for FY22 estimated a net deficit £1.8 million and remained fluid as there were still uncertainties around revenue processes.

Estates Strategy

An update of Estates projects was presented at all meetings. The Director of Estates gave an update on the Trust’s Estate Strategy in November, highlighting the most likely major projects for development. The Trust Estate Strategy was drawn up in 2017 – 2035 and set out how the estate was to be developed and managed. It was noted the Trust had complied well with the Estates Strategy commitments pertaining to: Statues, sustainability, and safe and secure premises; and cost effectiveness, efficient use of space and of the estate. It was noted in March 2021 that changes to the physical estate to accommodate new ways of working post pandemic were being reviewed as part of a Recovery and Surge response Group set up to utilise new ways of working that had arisen in response to the pandemic and was led by the Director of Strategy and Chief Information Officer.

ICT Strategy (delivery against the GDE programme)

During the reporting period, the Committee received updates on the IM&T department’s financial position, including GDE expenditure, as set out below in Section 2.5.

Procurement Strategy

A procurement update was presented in May 2020 that covered key changes being made in response to the pandemic. These were notably with Mental Health Investment, Transformation funding and Cost Improvement Programmes (**CIP**) delivery. A procurement update was delivered in September 2020 covering: local developments (COVID and PPE, E-Procurement system and Procurement team); national developments (Covid-19, Brexit, Procurement Target Operating Model Design PTOMD); key performance indicators; operations team projects; and strategic team competitive tenders workplan.

* 1. **Oversight of aggregate financial risk across the portfolio of financial reporting, including Estates, Information Management & Technology and other investments.**

In July 2020, the Director of Strategy and Chief Information Officer presented the IM&T Status Report for IM&T Departments financial position and budget capital plan for the next 5 years. The status update included: GDE expenditure, and priority strategic developments for FY21. He highlighted key risks were: cyber security; clinical portal functionality; delay to patient portal; integration between systems; maintenance of IT estate; network capacity and age of equipment; and MHA system.

In September 2020 the procurement and implementation of an Electronic Prescribing and Medicines Administration system ePMA solution was approved by the Committee as part of a consortium with capital sources proposed from GDE, Public Dividend Capital (**PDC**) funding, Trust match-funding and capital pipeline allocations. The Committee also approved the Data Centre Business Case.

In January 2021 the Director of Strategy and Chief Information Officer reported the remaining £1.465 million of GDE funding would be invested in the purchase of an Electronic Prescribing and Medicines Administration System (**ePMA**), and £2.0 million of Trust Capital had gone towards supplementing GDE costs for ePMA, CareNotes system, and data centre relocation. An additional £1.0 million of funding had been received from Health System Led Investment Fund (**HSLI**) in support of shared care records for mental health and social care data.

The Director of strategy and Chief Information Officer presented the Trust’s Digital Strategy, in March 2021, outlining how the Trust will use digital services to support the delivery of its overarching strategic objectives and was to be presented at April 2021 Board with final sign off expected in June 2021.

* 1. **Annually review the Capital Programme and make a recommendation to the Board of Directors to approve.**

Rolling updates on progress of the Capital Programme (Estates, IT, and Transformational Projects) were presented to the Committee at every meeting during the reporting period. A revised FY21 Capital Programme Plan was submitted to NHSI in May 2020 of £21.8 million, a decrease of £1.75 million from the original capital plan with the variance being due to re-alignment of funds with BOB ICS and Mental Health funding received in FY20. In July 2020 it was reported a new National Capital regime had been introduced for FY21 with funds going directly to BOB ICS who would allocate funds across organisations on a system-wide basis. FY21 updates were reported at all Board meetings through the reporting period.

* 1. **Review the governance arrangements for the capital investment programme by request from the Audit Committee on the basis of a recommendation arising from an assurance report.**

No requests for review were made by the Audit Committee in the reporting period but delivery of the capital investment programme was monitored as set out in Section 2.8 below.

* 1. **Monitor delivery of the capital investment programme through quarterly progress reports from the Capital Programme sub-committee.**

The Committee received Capital Projects progress reports at all FIC meetings. Reports outlined progress made in delivering the Trust’s Capital Programme (Estates schemes) and were reviewed by the Capital Programme Sub-Committee.

In May 2020 the Director of Finance reported the Estates Capital plan for FY21 was £9.2 million, however in June 2020 following a review owing to the impact of the pandemic the operational capital plan for FY21 would be £6.0 million as some projects would be delayed or not commence.

The Director of Estates reported in September 2020 and November 2020 good progress had been made with projects being on plan. However, in January 2021 she reported there had been some slippage, owing to the ability to access wards owing to infection prevention control in response to the pandemic.

In March 2021 it was noted the new system of capital envelopes meant there was no longer the ability to carry underspend forward to the next financial year.

* 1. **Consideration of evaluation reports for capital schemes over £2m.**

None considered during the reporting period.

* 1. **Receive an annual report from the Capital Programme sub-committee on the performance of project delivery.**

An annual report has not been presented to the Committee owing to work pressures in response to the pandemic, however a project update had been received at each meeting.

* 1. **Receive an annual report from the Director of Estates and Facilities on securing VFM.**

An annual report on securing VFM for FY20 was included within the Capital Programme Board’s Annual Report received by the Committee in November 2020. VFM was intrinsic to all capital investment projects and built into the procurement/tender process and the whole supply chain through collaborative working, negotiations, full stakeholder involvement and independent cost advice. The eBravo system used by the Trust gives parity for all contractors and ensures the Trust achieves maximum VFM in the procurement and delivery process. A price/quality matrix evaluates the best VFM tender. It was noted costs had been managed effectively, with identification of continued savings, reduced procurement times, improved quality, and defect-free handovers.

* 1. **Approve any financing or use of financial instruments within its delegation.**

None during the reporting period.

* 1. **Be empowered to delegate its authority to the Chairman or the Chief Executive within the limits contained in the Trust’s Scheme of Delegation.**

No instances during the reporting period.

* 1. **Discuss and review budgets and Strategic Plans for submission to the Board of Directors and recommend changes in financial strategy in the following areas:**
* **Resource management**
* **LDP**
* **capital structure**
* **borrowing**
* **interest exposure**
* **tax planning**
* **Investment**

The Director of Finance provided oral updates to the Committee on the financial position and utilisation of reserves at all Committees.

In July 2020 The Director of Finance updated the FY21 Plan and Budget submitted in March had been revisited owing to changes arising from: a block payment regime in response to the pandemic; an underlying deficit carried forward to FY21; and a commitment of £2 million to BOB ICS in the revised plan.

In September 2020 the Committee reviewed the approach taken to operational budget setting, and the financial management of delivery of an agreed budget. Areas discussed included the challenges of financial performance, training, forecasting, holding budget holders to account and escalation.

The Director of Finance in September 2020 reported a revised second half of the year financial plan for months 7 – 12 had been submitted to BOB ICS, and to NHSE/I.

In January 2021 the Committee were updated the budget timeline for FY22 would be for final approval at April Board meeting.

In March 2021 the Deputy Director of Finance reported funding uncertainties would continue into the next financial year with an estimated net deficit for FY22 of £1.8 million due to a shortfall in specialist commissioning around new care models and extra packages of care.

* 1. **Review compliance with financing agreements and covenants and the operation of treasury management policies including:**
* **setting benchmarks for assessing the Treasury function’s performance, and annually reviews performance against those benchmarks; and**
* **reviewing a market testing exercise performed annually by the Finance Department covering the permitted investment institutions adopted by the Trust.**

The Treasury Management Policy was approved by the Committee in September 2020 following an update as part of the annual review process.

In November 2020 the Committee approved the annual review of the Investment Policy.

* 1. **Consider any changes to accounting policies before the Audit Committee scrutinises the statutory accounts.**

None during the reporting period.

* 1. **Agree and monitor the work of the Capital Programme sub-committee and review annually its terms of reference, performance and effectiveness within the Integrated Governance Structure**

During the reporting period, the Committee regularly received and reviewed the minutes of the Capital Programme sub-committee meetings. In November 2020, the Committee approved the Capital Programme Board Annual report.

* 1. **Other business transacted.**

The following additional reports were received and reviewed:

* Cash Management Reports – cashflow and working capital
* Minutes of the Warneford Foundation Steering Group
* Inquests & Claims Annual Report
* Agency costs update

Oxford Pharmacy Store (**OPS**) Performance Reports

A rolling update on the performance of OPS was presented to the Committee at every meeting during the reporting period.

In May 2020 the Director of Finance reported OPS had finished in a positive position for FY20 and had invested £150,000 into improvements to the site infrastructure to support future growth. There was a favourable variance YTD, owing to higher sales than budget at £249k. He noted that OPS had been supportive in the pandemic in the supply and delivery of emergency lines for the NHS.

In July 2020 the Director of Finance reported the first wave of the pandemic had had a negative effect on sales for the first two months of the financial year, due to the cancellation of elective surgery and non-urgent medical care in the acute sector. He noted OPS continued to work closely to strategic objectives and this included working collaboratively with NHS England commercial medicines.

For both September 2020 and November 2020 meetings the Finance Director reported although there had been a slight improvement, sales volumes were still reduced whilst the acute sector focused on Covid-19 recovery. In this period containing and reducing costs had been achieved. He noted that OPS would be the Covid-19 vaccine hub for the BOB region.

In January 2021 the Finance Director reported volumes and margins continued to be down against plan and had been compounded by the further wave of the pandemic, and reported the position should stabilise once elective surgery resumed.

It was noted in March the team demonstrated the ability to be flexible and adaptable and achieved a satisfactory performance under the current issues.

CIP/Productivity Improvement Programme (PIP) Reports

The Director of Strategy and Chief Information Officer reported in July the PIP programme had recommenced following a pause, and he reported in November 2020 that £5.2 million savings had been achieved in the first half of the financial year in non-pay expenditure owing to the pandemic and alternative ways of working and operating. In January 2021 he reported there would be a pause on PIP schemes with a refocus in the second half of the financial year FY22, and savings would be adjusted to half the original forecast at £3.5 million savings.

Provider Collaboratives

At the September 2020 Committee the Thames Valley and Wessex Adult Secure Services Provider Collaborative update (**TVWFN**) was presented, and proposals for the reinvestment of FY19 savings from the TVWFN into the Thames Valley Forensic Service were approved in the November 2020 meeting. At the January 2021 the Committee approved for TVWFN provider collaborative to go live 01April 2021.

In January 2021 CAMHS Tier 4 Provider Collaborative (CAMHS T4) was presented to the Committee and it was agreed for more work to be undertaken before approval. In the March 2021 meeting the Committee approved for the recommendation for the CAMHS T4 to go live on 01 April 2021 (FY22) contingent on growth at 2% and subject to OHFT Board scrutiny and approval.

1. **Reporting**

All Committee meetings were formally recorded. The minutes were distributed to all Committee members and formally reported to the Board of Directors.