

Trust Board Meeting: Wednesday 9 July 2014
TB2014.85

Title	Finance and Performance Committee Annual Report 2013/14
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Status	For approval
History	Annual Report summarises the activities of the Trust's Finance and Performance Committee for the financial year 2013/2014, setting out how it has met its Terms of Reference and key priorities.

Board Lead	Mr Christopher Goard, Finance and Performance Committee Chairman			
Key purpose	Strategy	Assurance	Policy	Performance

Finance and Performance Committee Annual Report

1. Background

- 1.1. Good practice states that the Trust Board should review the performance of its Committees annually to determine if they have been effective, and whether further development work is required.
- 1.2. This was formalised in the Board Governance Assurance Framework assessment for aspirant NHS Foundation Trusts which states, as an area of good practice, under section 2.1 Effective Board level evaluation:
“Formal evaluations of the Board and Committees have been undertaken within the previous 12 months consistent with the NHS Foundation Trust Code of Governance. The Board can clearly identify a number of changes/improvements in Board and Committee effectiveness as a result of the formal evaluations that have been undertaken.”
- 1.3. This Annual Report summarises the activities of the Trust’s Finance and Performance Committee (the Committee) for the financial year 2013/14 setting out how it has met its Terms of Reference and key priorities.
- 1.4. The purpose of the Committee is laid down in its Terms of Reference. In summary it is responsible for providing information and making recommendations to the Trust Board on financial and operational performance issues and for providing assurance that these are being managed safely.
- 1.5. The Terms of Reference were reviewed and revised in July 2013, and the review of the effectiveness of the Committee for 2013/14 has confirmed that no further changes are required to the Terms of Reference, beyond updating the membership, as proposed in section 5.

2. Scope of Review of Effectiveness

- 2.1. The review undertaken by the Deputy Head of Corporate Governance has focused on a review of the papers presented to the Finance and Performance Committee in comparison to the agreed Terms of Reference and the Cycle of Business. The review has been broken down into the following subsections:
 - Responsibilities;
 - Membership and Attendance Record;
 - Reporting Arrangements;
 - Cycle of Business;
 - Review against the agreed Committee Objectives.

3. Responsibilities

- 3.1. During 2013/14, the Committee has delivered the key responsibilities as set out in the Terms of Reference. Compliance with a number of the key responsibilities is evidenced by the following actions:
 - The Integrated Performance of the Trust has been monitored throughout the year. Reviews are being undertaken into specific exceptional performance

issues, including delayed transfers of care, and 4 hour Accident & Emergency wait;

- At the request of the Trust Board, the Committee has received project updates on the Outpatient Re-profiling Project, and the Theatre Utilisation project;
- The Trust's performance against its annual financial plan and budgets has been kept under review;
- Divisional performance has been subjected to closer scrutiny through divisional presentations made to the Committee, in line with the cycle of business and aligned to the Divisional structure;
- The Committee has been updated on the development of the Trust's long term financial model [LTFM];
- Updates were provided on the Cost Improvement Programme, including progress in improvements to the planning and monitoring processes;
- The Board Assurance Framework and Corporate Risk Registers were regularly reviewed and discussed, to ensure that identified controls were appropriate to mitigate the risks to a level within the Trust's risk appetite. The Committee focused on the principal risks which were specifically assigned for oversight by the Committee, being:
 - Principal Risk 2: Failure to maintain financial sustainability;
 - Principal Risk 3: Failure to maintain operational performance;
 - Principal Risk 4: Mismatch with commissioners' plans;
 - Principal Risk 5: Loss of share of current and potential markets; and
 - Principal Risk 7: Failure to deliver the required transformation of services

3.2. It is proposed that the following items should be considered for more detailed review in 2014/15, to consider how the Committee can provide scrutiny of:

- Development of the medium and long term financial models, linked to the NHS Foundation Trust application pipeline, and ensuring that the Committee will seek appropriate clinical advice and involvement in the development of same;
- Development of the capital programme and how funds are allocated to competing projects.

Membership and Attendance Record

3.3. During 2013/14, the committee met six times with attendance recorded in the table below. This demonstrates that every meeting of the Committee during the year was quorate.

Committee Members		10-Apr-13	12-Jun-13	14-Aug-13	09-Oct-13	11-Dec-13	12-Feb-14
Christopher Goard	Chair – Non-executive Director	✓	✓	✓	✓*	✓	✓
Dame Fiona Caldicott	Chairman of the Trust Board	✓	✓	✓	✓	✓	✓
Anne Tutt	Non-executive Director	✓	✓	X	✓	✓	✓
Geoff Salt	Non-executive Director	✓	✓	X	✓	✓	✓
Peter Ward	Non-executive Director	✓	✓	✓	✓	✓	✓
Sir Jonathan Michael	Chief Executive	✓	✓	✓	✓	✓	✓
Mark Mansfield	Director of Finance and Procurement	✓	✓	✓	✓	✓	✓
Professor Edward Baker	Medical Director	✓	✓	✓	✓	✓	✓
Mark Trumper	Director of Development and the Estate	✓	X	✓	X	✓	✓
Paul Brennan	Director of Clinical Services	✓	✓	✓	✓	✓*	✓*

Key: ✓ = In attendance X = Absent ✓* = Deputy in attendance

Reporting Requirements

3.4. The Committee reported to the Trust Board after each meeting during the year. Reports included a description of the business conducted, risks identified and key actions agreed. Key risks identified by the Committee and escalated to the Trust Board for information included:

- Management of staff bank and agency spend – highlighting both the potential impact on the Trust's financial position, and the potential risk to the delivery of high quality care;
- Delivery of the forecast financial outturn, particularly in relation to the higher than plan activity levels;
- Risk on the Corporate Risk Register [CRR] related to legionella, in respect of which remedial work was undertaken, funded through the capital programme;
- Risk on the CRR related to Delayed Transfers of Care, in respect of which further work is being undertaken, and reported to Trust Board;
- Risk of failure to achieve consistent and sustainable delivery of performance targets.

Cycle of Business

- 3.5. The items on the cycle of business were largely delivered as planned with the exception of the following items:
- Overview and scrutiny of the LTFM through update scheduled for October 2013 did not go ahead, as the timetable for the Trust's Foundation Trust application was put back by the TDA, but an update was provided in February 2014;
 - EPR Project Update scheduled for December 2013 was not taken, as report had been made directly to the Trust Board at its meeting in private on 13 November 2013;
 - PFI Update scheduled for October 2013.
- 3.6. A significant number of additional items were considered by the Committee during the year including:
- Productivity improvements in Endoscopy;
 - Workforce Strategy and Plan, reflecting work being done which included a focus on staff engagement;
 - Developing the process for identifying safe staffing levels (as part of workforce planning), paving the way in readiness for reporting in compliance with national guidelines;
 - Review of audit of breaches in the Emergency Department [ED];
 - Review of Staff Agency Spend in 2013/14.

4. Review against the agreed Committee Objectives

- 4.1. The Committee agreed a number of objectives at its meeting on 10 April 2013 for the year 2013/14. These objectives are presented in Appendix 1 for information. It is proposed that the objectives have largely been met, based on the following evidence, which is highlighted for the Committee's attention:
- Presentation of a report on financial performance was provided to each meeting of the Committee, with the introduction of divisional presentations to provide financial performance information at a more granular level;
 - Development of the Integrated Performance Report, which was presented to each meeting of the Committee, augmented by divisional presentations to ensure that effective performance management processes are being used at divisional level;
 - Reviews of specific aspects of performance in more depth, including breaches in ED, and staff bank and agency spend.

5. Key Outcomes

- 5.1. The following outcomes are proposed as a proxy for the effectiveness of the Committee:
- The Trust met its key financial duties for the year, specifically:
 - Achieving its target surplus for the year, thereby meeting its formal financial duty to break even;
 - Meeting its financial duty not to exceed its external financing limit for the year; and

- Meeting its duty not to exceed its capital resource limit for the year.
- Operational performance targets were monitored throughout the year, to identify where action was required to achieve consistent and sustainable delivery of key operational performance targets, including those in relation to delayed transfers of care, and cancer waits.

6. Terms of Reference

- 6.1. The Terms of Reference have been reviewed and it is not proposed to make any amendments other than to update the names of the members, listed under section 4 (Membership). The updated Terms of Reference are presented in Appendix 2, with the changes highlighted.

7. Conclusion

- 7.1. The review has identified that the Committee has delivered the majority of the responsibilities as set out in the Terms of Reference, attendance at meetings has been good, and the cycle of business has been mostly completed.
- 7.2. A number of areas are highlighted for action during 2014/15 to ensure all responsibilities are delivered as set out in the Terms of Reference, to include specific review of the issues detailed in section 2.3 above.

8. Next Steps

- 8.1. The Finance and Performance Committee meeting held on 9 April 2014 was observed by the NHS Trust Development Authority and feedback from this review will be included in any further actions for 2014/15.
- 8.2. A revised cycle of business will be developed by the Committee Chairman and the Executive Director leads, to address the responsibilities of the Committee and to address the identified areas for action. The cycle of business will reflect the Committee's aim to address the major finance and performance risks as identified and recorded on the Corporate Risk Register.

9. Recommendations

- 9.1. The Trust Board is asked to approve the Finance and Performance Committee Annual Report and the revised Terms of Reference.

Mr Christopher Goard
Chairman Finance and Performance Committee

June 2014

Finance and Performance Committee Objectives 2013/14

The Committee's overarching objective is to gain a sufficient understanding of the financial and operational performance control processes of the Trust to provide assurance to the Board. In particular it will:

- Review the development and use of financial performance information at a more granular level across the Trust,
 - to take into account the use of Patient Level Costing Systems (PLICS) and to assess its impact on financial planning and cost improvement programmes;
- Review the development of the process for the reporting and review of operational performance across the Trust;
 - To ensure that effective performance management processes are used at divisional level;
 - To review the development of holistic business information, through the triangulation of different source of performance information, its use in decision making and its impact on the achievement of objectives.

Appendix 2

Oxford University Hospitals NHS Trust
Finance and Performance Committee
Terms of Reference

1. Authority

The Finance and Performance Committee is constituted as a standing committee of the Trust Board. Its constitution and terms of reference shall be as follows, subject to amendment at future meetings of the Trust Board. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek the information it requires from any employee, and all employees are directed to co-operate with any request made by the Committee.

2. Purpose of the Committee

The Committee is responsible for providing information and making recommendations to the Trust Board on financial and operational performance issues and for providing assurance that these are being managed safely.

3. Responsibilities and Duties

The specific responsibilities of the Committee are to:

- To review the integrated performance of the Trust
- To provide overview and scrutiny in any other areas of financial and operational performance referred to the Performance and Finance Committee by the Trust Board.
- To monitor the effectiveness of the Trust's financial and operational performance reporting systems ensuring that the Board is assured of continued compliance through its annual reporting, reporting by exception where required.
- To review the Trust's performance against its annual financial plan and budgets
- To review the Trust's operational performance against its annual plan and to monitor any necessary corrective planning and action.
- To monitor the performance of the Trust's physical estate and non-clinical services
- To provide overview and scrutiny to the development of the medium and long term financial models (MTFM and LTFM)
- To ensure the MTFM and LTFM is designed, developed, delivered, managed and monitored appropriately
- To ensure that appropriate clinical advice and involvement in the MTFM and LTFM is provided
- To review the in-year delivery of annual efficiency savings programmes
- To review the performance indicators relevant to the remit of the Committee
- Identify annual objectives of the Committee, produce an annual work plan in the agreed Trust format, measure performance at the end of the year and produce an annual report

- Consider any relevant risks within the Board Assurance Framework and corporate level risk register as they relate to the remit of the Committee, as part of the reporting requirements, and to report any areas of significant concern to the Audit Committee or the Board as appropriate
- Undertake any other responsibilities as delegated by the Trust Board

4. Membership

The membership of the Committee shall comprise of the following core members:

- Chairman of the Committee, Non-executive Director (Mr Christopher Goard)
- Vice-Chairman of the Committee, Non-executive Director (Mrs Anne Tutt)
- Chairman of the Trust Board, Non-executive Director (Dame Fiona Caldicott)
- Non-executive Director (Mr Geoff Salt)
- Non-executive Director (Mr Peter Ward)
- Chief Executive (Sir Jonathan Michael)
- Director of Finance and Procurement (Mr Mark Mansfield)
- Medical Director (Dr Tony Berendt - Interim)
- Director of Development and the Estate (Mr Mark Trumper)
- Director of Clinical Services (Mr Paul Brennan)

All Board members outside the core membership have an open invitation to attend any meeting if he/she wishes to do so.

5. Attendance

It is expected that all members will attend four out of six committee meetings per financial year. If Executive Directors are unable to attend a meeting they should nominate a deputy subject to agreement with the Chief Executive and consultation with the Committee Chairman.

An attendance record will be recorded for each meeting.

The membership and terms of reference of the committee will be subject to annual review.

6. Quorum

The quorum shall be a minimum of 5 members, of which two shall be Non-Executive Directors.

7. Meetings

The Committee shall meet six times per year. The Chairman may at any time convene additional meetings of the Committee to consider business that requires urgent attention.

8. Notice of meetings

Meetings of the Committee shall be set at the start of the financial year. The agenda and supporting papers shall be forwarded to each member of the Committee not less than five working days before the date of the meeting.

9. Reporting arrangements

The proceedings of each meeting of the Committee shall be reported to next meeting of the Board following production of the minutes. The Chairman of the meeting shall draw the attention of the Board any issues that require disclosure or require executive action. The Chairman is required to inform the Board on any exceptions to the annual work plan or

strategy. The Chairman will report any specific issues relating to the Trust's Risk Register to the Audit Committee.

10. Relationships with other committees

The Committee receives information and assurances from the Trust's internal performance review processes and meetings.

11. Administration

The Finance and Performance Committee will be supported by a nominated lead Executive Director who will ensure that the committee is effectively supported by an appropriate administrative function.

The Head of Corporate Governance (in the role of Company Secretary) will provide oversight of the committee administration

12. Review of Terms of Reference

The Terms of Reference of the committee shall be reviewed at least annually by the committee and approved by the Trust Board.

Last version approved **10 July 2013**

This version drafted **May 2014**

Approved on:

To be reviewed by: