

Trust Board Meeting in Public: Wednesday 13 July 2016
TB2016.62

Title	Finance & Performance Committee Report including Annual Report 2015/16
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Status	For information and discussion
History	The Finance and Performance Committee provides a regular report to the Board.

Board Lead(s)	Mr Peter Ward, Committee Chairman			
Key purpose	Strategy	Assurance	Policy	Performance

Executive Summary

1. The Finance and Performance committee is a sub-committee of the Trust Board, and as such provides a regular report to the Board on the main issues raised and discussed at its meetings. The regular report is provided at Section 1.

2. A summary of the key messages from the meeting held on 8 June 2016 for communication throughout the Trust is attached at Section 1, Appendix 1.

3. In line with best practice in other sectors, the Committee also produces an Annual Report to the Board summarising the activities of the Trust's Finance and Performance Committee (the Committee) for the financial year 2015/16 setting out how it met its Terms of Reference and key priorities. This is provided in Section 2.

4. The Finance and Performance Committee's Terms of Reference, Membership and objectives for 2015/16 are attached at Appendices 1, 2 and 3 to Section 2.

Recommendations

5. The Board is asked to:

- Note the regular report to the Board from its meeting held on 8 June 2016 (Section 1); and
- Review and approve the Quality Committee Annual Report 2015/16 and the revised Terms of Reference (Section 2).

1. Introduction

The Finance and Performance Committee met on 8 June 2016. The main issues raised and discussed at the meeting are set out below.

2. Significant issues of interest to the Board

The following issues of interest have been highlighted for the Trust Board:

- a) The Integrated Performance Report for Month 1 and the updated IPR format was received, noting in particular that performance against the access standards was as follows:

Element	Expectation	April	Trajectory met?
Access standards:			
RTT Incompletes <18 weeks	≥91%	91.3%	✓
RTT >52 week waits	≤22	22	✓
Cancer <62-day GP referrals	85% [≤85% for Q1]	<i>[not available until June]</i>	
Diagnostic waits >6 weeks	≤0.99%	0.97%	✓
All S&T conditions met?			Yes (subject to cancer 62 days)
A&E <4-hour waits ¹	85.6% [≥84% for Q1]	87.55%	✓

- b) It was noted that this showed performance against the A&E 4 hour standard at 87.55% in April, against an expectation of performance at 85.6% for April, (performance not to dip below 84% for Q1 overall). The Chief Executive advised that further concerted efforts were being made to improve performance against the A&E 4 hour standard, without placing unreasonable pressure on staff, and the Board will be kept informed of progress.
- c) The Committee was informed of the publication in May of revised national guidance which called for trajectories to be realistic and ambitious, following which the OUH had been offered the opportunity to submit revised trajectories on access standards. The Committee noted the revised trajectories submitted for all access standards, other than for A&E > 4 hour waits, in respect of which a trajectory had yet to be submitted at the time of report to the Committee. Progress against the trajectories for performance in relation to the access standards will be reported and monitored by the Committee throughout the year.
- d) The Committee received a verbal update on transformation plans, including proposals for acute bed and service realignment, plans to improve theatres

¹ Using trajectory not submitted to NHS Improvement

performance, a review of Administrative and Clerical posts, and controls on the use of agency staff.

- e) Workforce turnover was reported at 14.02% in April, 3.52% above the target for the Key Performance Indicator [KPI], and it was suggested that the Trust Board should have an opportunity to review the effectiveness of targeted action being taken.
- f) The Committee considered the Trust's financial position up to 30 April 2016, noting that there were uncertainties associated with the Month 1 reports, particularly around commissioning income as the systems were being updated with the new tariff and data collections for contract monitoring.

Points of note included:

- The Trust was reporting an EBITDA of £5.55m, against the plan of £5.51m which had a favourable variance of £40k
 - The in-month EBITDA margins were 6.61% against plan and 6.75% actuals.
- g) The Committee received an update on progress on the 2015/16 reference cost completion, together with a briefing on the recently published Costing Transformation Programme by NHS Improvement [NHSI], including the assessed impact on the Trust. A detailed review of Q3 PLICS outputs had taken place. The costing team was currently reviewing the initial outputs for the full 2015/16 financial; year, with a view to test uploads and share outputs with the cost task and finish group in June.
 - h) The Committee reviewed its Annual Report and Review of Effectiveness 2015/16, including proposed revised terms of reference. It was suggested that the Chief Nurse, in her capacity as Head of the Estate, should become a member of the Committee. It was further suggested that it should be clarified that Mr Alistair Cameron, Non-Executive Director was a formal member of the Committee.

3. Key Risks Discussed

Risks discussed by the Committee included:

- i. Risks associated with the challenges faced in delivering all quality, operational and financial targets;
- ii. Risks associated with staff turnover rates;
- iii. Risks associated with the level of Delayed Transfers of Care, and the impact on delivery of the 95% 4 hour A&E standard.

4. Key Action Agreed

The Committee agreed action as follows:

- Further consideration would be given to what represented a reasonable and realistic trajectory for delivering the access standard relating to A&E > 4 hour waits.

- Reports on Divisional performance and forecasts will be incorporated into future financial performance reports.
- The format of the IPR will be further revised, and will include a metric to monitor the endorsement of test results on EPR within 7 days.
- Phase 3 budgets, including agreement on the quality, operational and financial targets will be completed and formally submitted for approval of the Trust Board in July.

5. Future Business

Areas upon which the Committee will be focusing over the next three months include continued review of:

- the integrated performance of the Trust;
- the financial performance against plan for 2015/16;
- in-year delivery of annual efficiency savings for 2015/16;
- Capital prioritisation for the Trust 2016/17

and monitoring of:

- delivery of performance against divisional budgets and transformation plans, with clear accountability for financial performance by budget holder;
- delivery against revised trajectories for improved operational performance and the delivery of access standards.

6. Recommendation

The Trust Board is asked to note the contents of this paper.

Mr Peter Ward
Finance and Performance Committee Chairman

July 2016

Section 2

Finance and Performance Committee Annual Report 2015/16

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 Annual Report summarises the activities of the Trust's Finance and Performance Committee (the Committee) for the financial year 2015/16 setting out how it has met its Terms of Reference and key priorities.
- 1.3. 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.

2. Scope of Review of Effectiveness

- 2.1. Since Dr Bruno Holthof took up post as Chief Executive in October 2015, the way in which the Committee conducts its business has been reviewed, to ensure that it meets its key objectives. In particular, the structure and composition of the agenda has been reformed, with the aim of ensuring that the opportunity is provided for genuine debate in relation to key strategic themes.
- 2.2. In streamlining the agenda, the Committee remains focused on probing into the level of assurance provided on financial and operational performance.
- 2.3. The review undertaken by the Deputy Director of Assurance 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;
- 2.4. In addition to the above, the Assurance Team and the Chairman of the Committee have agreed to initiate a further analysis of the breadth and depth of assurances that the Committee receives, linked to the on-going work on improving performance reports.

Responsibilities

- 2.5. During 2015/16, 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;
 - The Trust's performance against its annual financial plan and budgets has been kept under review;
 - Divisional performance has been reviewed on a quarterly basis;
 - The Committee has been updated on the development of the Trust's long term financial model [LTFM], ensuring that appropriate clinical advice was sought and contributed to the development of same;
 - Delivery of the Committee's key responsibilities, and specifically its role in the development and on-going scrutiny of the LTFM, contributed to achieving authorisation as a foundation trust on 1 October 2015;
 - Updates were provided on the Cost Improvement Programme, including progress in improvements to the planning and monitoring processes;
 - Action plans and trajectories for operational performance and improving sustainable cancer performance have been reviewed.
 - Patient Level Costing and Service Level Costing information has been subject to regular review;
 - 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 (PR) which were specifically assigned for oversight by the Committee, being:
 - PR2: Failure to maintain financial sustainability;
 - PR 3: Failure to maintain operational performance;
 - PR 4: Mismatch with commissioners' plans;
 - PR 5: Loss of share of current and potential markets; and
 - PR 7: Failure to deliver the required transformation of services
 - The five year capital plan was reviewed by the committee.
- 2.6. In discharging its responsibility to '*Review the performance indicators relevant to the remit of the Committee*', the Committee highlighted the need to review what are the most appropriate performance indicators, and the Integrated Performance Report, as presented in an updated format to the Finance and Performance Committee at its meeting on 8 June 2016, represents the start of this work.

Membership and Attendance Record

- 2.7. During 2015/16, 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.

Role	15-Apr-15	10-Jun-15	12-Aug-15	7-Oct-15	9-Dec-15	10-Feb-16
Chair – Non-Executive Director(CG)	✓	✓	✓	✓	✓	✓
Chairman of the Trust Board (FC)	✓	✓	X	X	X	✓
Non-Executive Director (AT)	✓	✓	X	X	✓	✓
Non-Executive Director (GS)	□	✓	✓	✓	✓	✓
Non-Executive Director (PW)	✓	✓	X	✓	✓	✓
Non-Executive Director (AC)	✓	X	✓	X	✓	✓
Chief Executive	✓	✓	✓	✓	✓	✓
Director of Finance & Procurement	✓	✓	✓	✓	✓	✓
Medical Director	✓	✓	✓	✓	✓	✓
Director of Development and the Estate *	✓	✓	✓			
Director of Clinical Services	✓	✓	✓	✓	□	✓

*(Left the Trust Sept 2015)

Key: ✓ = in attendance □ = represented by Deputy X = Absent

Reporting Requirements

- 2.8. 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:
- Risks associated with performance of non-clinical operational services, under the Churchill Private Finance Initiative (PFI) Contract.
 - Regular risk assessments of the forecast year-end financial and operational performance position during the course of the year, highlighting the risk associated with the winter planning process and capacity planning.
 - Information on how the Committee considered the 2015/16 & 2016/17 financial planning process, in terms of considering the impact on commissioner alignment and risks associated with uncertainty in relation to the tariff.
 - A range of issues was highlighted to the Trust Board from discussions around the review of the Board Assurance Framework and the Corporate Risk Register, for example theatre utilisation rates, nurse revalidation and DToC.

- 2.9. The reports consistently identified areas to be raised to the Trust Board or referred to other sub-committees of the Trust Board.

Terms of Reference

- 2.10. The Terms of Reference were last reviewed and revised by the Board in July 2015. As part of the current review of the effectiveness of the Finance and Performance Committee suggested some minor changes to the membership of the Committee and included an additional objective for 2016/17.
- 2.11. The updated Terms of Reference are presented in Appendix 1, with the changes highlighted.

Cycle of Business

- 2.12. The items on the cycle of business were delivered as planned with the exception of a report on the review of cross-divisional cost improvement plans [CIP]. The mechanism for the delivery and monitoring of CIP in 2016/17 has been embedded in the budget-setting process, and the Committee should be able to gain assurance in relation to this matter through consideration of regular reports on performance.
- 2.13. A number of additional items were considered by the Committee during the year including papers on:
- The process for additional consultant sessional payments
 - Temporary workforce including NHS Bank
 - Proposed scope of review of the use of bed resource by long stay patients
 - Agency Controls
 - Developing the use of benchmarked costing and profitability data
 - Provisional assessment of operational and financial impact of initiative to reduce DToCs.

3. Key Outcomes

- 3.1. In discharging the Terms of Reference as described in the preceding paragraphs the Committee has also achieved the following:
- The Trust met its key financial duties for the year, specifically:
 - ✓ Achieving its financial target 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 delivery of key operational performance targets, including those in relation to delayed transfers of care, and cancer waits.

4. Conclusion

- 4.1. The review has identified that the Committee has delivered the responsibilities as set out in the Terms of Reference. Attendance at meetings has been good, and the cycle of business has been completed, subject only to the item noted.
- 4.2. Areas for action during 2016/17 will include the development of clearer guidance on the role and remit of the Committee to ensure that papers are more effectively tailored to meet the Committee's needs.

Mr Peter Ward
Chairman, Finance and Performance Committee
July 2016

Appendix 1

**Finance and Performance Committee
Terms of Reference****1. Authority**

- 1.1. The Finance and Performance Committee (the Committee) is constituted as a standing committee of the Trust Board. The Committee is a Non-Executive Committee and has no executive powers, other than those specifically delegated in these Terms of Reference. The Terms of Reference can only be amended with the approval of the Trust Board.
- 1.2. The Committee is authorised by the Trust Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any member of staff and all members of staff are directed to co-operate with any request made by the Committee.
- 1.3. The Committee is authorised by the Trust Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experiences and expertise if it considers this necessary.

2. Purpose of the Committee

- 2.1. 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. Membership

- 3.1. The membership of the committee shall be composed of the following core members:
 - 6 Non-Executive Directors (one of whom will be the Chair of the Committee)
 - Chief Executive
 - Chief Finance Officer
 - Medical Director
 - Chief Nurse
 - Director of Clinical Services
- 3.2. All Board members outside the core membership have an open invitation to attend any meeting if he/she wishes to do so.

4. Attendance and Quorum

- 4.1. The quorum for any meeting of the Committee shall be attendance of a minimum of five members of which two will be Non-executive Directors.
- 4.2. It is expected that all members will attend at least 4 out of 6 committee

meetings per financial year. An attendance record will be held for each meeting and an annual register of attendance will be included in the annual report of the committee to the Board.

- 4.3. If Executive or Non-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. Deputies will be counted for the purpose of the quorum.
- 4.4. The Chair may request attendance by relevant staff at any meeting.

5. Frequency of meetings

- 5.1. Meetings of the Finance and Performance Committee shall be held six times per year, scheduled to support the business cycle of the Trust and at such other times as the Chairman of the Committee shall identify, subject to agreement with the Chairman of the Trust and the Chief Executive.
- 5.2. The Chairman may at any time convene additional meetings of the Committee to consider business that requires urgent attention.
- 5.3. Meetings of the Committee shall be set at the start of the calendar year.

6. Specific Duties

- 6.1 The specific responsibilities of the Committee are to:
 - Review the integrated performance of the Trust
 - Provide overview and scrutiny in any other areas of financial and operational performance referred to the Performance and Finance Committee by the Trust Board.
 - 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.
 - Review the Trust's performance against its annual financial plan and budgets
 - Review the Trust's operational performance against its annual plan and to monitor any necessary corrective planning and action.
 - Monitor the performance of the Trust's physical estate and non-clinical services
 - Provide overview and scrutiny to the development of the medium and long term financial models (MTFM and LTFM)
 - Ensure the MTFM and LTFM is designed, developed, delivered, managed and monitored appropriately
 - Ensure that appropriate clinical advice and involvement in the MTFM and LTFM is provided
 - Review the in-year delivery of annual efficiency savings programmes

- 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.

7. Sub-Committees

7.1 The Finance and Performance Committee has no established sub-committees but it will receive information and assurances from the Trust's internal performance review processes and meetings.

8. Administrative Support

8.1 The Finance and Performance Committee will be supported by the Chief Finance Officer, as the nominated lead Executive Director. The Committee will be supported administratively by the Head of Corporate Governance, whose duties in this respect will include:

- Agreement of the agenda with the Chief Finance Officer and the Committee Chairman, collation and distribution of papers at least five working days before each meeting.
- Taking the minutes and keeping a record of matters arising and issues to be carried forward.
- Providing support to the Chair and members as required.

9. Accountability and Reporting arrangements

9.1. The Committee shall be directly accountable to the Trust Board.

9.2. The Committee shall refer to the Board any issues of concern it has with regard to any lack of assurance in respect of any financial or operational aspect. The Chair of the Committee shall prepare a summary report to the Board detailing items discussed, actions agreed and issues to be referred to the Board. The Chair of the Committee is also required to inform the Board on any exceptions to the annual work plan or strategy. The Chair will report any specific issues on the risk register to the Audit Committee.

9.3. The minutes of the Committee meetings shall be formally recorded and submitted to the next meeting of the Board following the production of the minutes.

10. Monitoring Effectiveness and Compliance with Terms of Reference

10.1. The Committee will carry out an annual review of its effectiveness and provide an annual report to the Board on its work in discharging its responsibilities, delivering its objectives and complying with its terms of reference, specifically commenting on relevant aspects of the Board

Assurance Framework and relevant regulatory frameworks.

11. Review of Terms of Reference

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

Date approved: **Month Year**
Approved by: **[name of parent committee]**
Next review date: **Month Year**

Appendix 2

Finance and Performance Committee Membership 2016/17

Non-Executive Director (Chair)	Mr Peter Ward
Non-Executive Director (Vice Chair)	Mrs Anne Tutt
Non-Executive Director	Dame Fiona Caldicott
Non-Executive Director	Mr Geoff Salt
Non-Executive Director	Mr Christopher Goard
Non-Executive Director	Mr Alistair Cameron
Chief Executive	Dr Bruno Holthof
Interim Chief Finance Officer	Ms Maria Moore (Interim)
Medical Director	Dr Tony Berendt
Director of Clinical Services / Deputy Chief Executive	Mr Paul Brennan
Chief Nurse / Deputy Chief Executive	Ms Catherine Stoddart

Appendix 3**Finance and Performance Committee Objectives 2016/17**

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.
- To gain assurance on the effectiveness of the Divisional Transformation plans in delivering the Trust's objectives.