

TRUST BOARD
25th July 2013

TITLE	Annual Report from the Finance Committee
EXECUTIVE SUMMARY	<p>As a formal sub-committee of the Trust Board the Finance Committee presents its Annual Report to the Trust Board.</p> <p>The report summarises the key areas of activities over the last year in discharging its duties under its approved Terms of Reference. It also sets out its objectives for the coming year</p> <p>The attached report has been prepared by the Committee Chair and will have been discussed at the Finance Committee meeting held on 19th July 2013.</p> <p>In addition the Committee discussed further changes to its Terms of Reference to encompass operational performance management. These are set out at the end of the paper.</p> <p>The Committee Chair will update the Trust Board verbally on these discussions.</p>
BOARD ASSURANCE (Risk) / IMPLICATIONS	The Board is assured by the scrutiny provided by the Finance Committee on financial matters and associated risks.
LINK TO STRATEGIC OBJECTIVE	SO4: To improve the productivity and efficiency of the Trust in a financially sustainable manner, within an effective governance framework.
STAKEHOLDER / PATIENT IMPACT AND VIEWS	The Committee is a key sub-Committee of the Trust Board, assessing the Trust's financial position.
EQUALITY AND DIVERSITY ISSUES	None that I am aware of.
LEGAL ISSUES	None that I am aware of.
The Trust Board is asked to:	Receive the Annual Report from the Finance Committee and approve proposed changes to its Terms of Reference.
Submitted by:	Jim Gollan, Non-Executive Director and Committee Chair
Date:	17 th July 2013
Decision:	For Approval

Annual Report of the Finance Committee to the Trust Board

Introduction

The Finance Committee is a formal sub-Committee of the Trust Board with defined Terms of Reference and as such is required to prepare an annual report on its work and performance in the preceding year for consideration by the Trust Board. This report summarises the Finance Committees activity for the year to 30th June 2013.

Meetings

Meetings were held on the following dates during the period: -

18 th July 2012	22 nd August 2012
19 th September 2012	17 th October 2012
21 st November 2012	19 th December 2012
23 rd January 2013	20 th February 2013
20 th March 2013	17 th April 2013
22 nd May 2013	19 th June 2013

Membership and Attendance

The membership of the Finance Committee over the year is set out below along with the maximum number of meetings that could have been attended and actual number attended. Each member (or fully briefed deputy) must attend a minimum of 50% of meetings during the year.

<u>Name</u>	<u>Position</u>	<u>Max</u>	<u>Actual</u>
Jim Gollan	Non-Executive Director	12	12
Peter Taylor	Non-Executive Director	12	10
Clive Goodwin	Non-Executive Director	12	9
Simon Marshall	Director of Finance and Information	12	11
Valerie Bartlett	Deputy Chief Executive	12	8

To ensure that meetings were quorate Non-Executives, Philip Beesley and Terry Price, each attended meetings held in August 2012 and May 2013 respectively.

The Chief Executive, Chief Nurse and Director of Workforce Transformation are invited to attend meetings, but are not formal members of the Committee.

The Committee is supported by the Deputy Director of Finance and Desiree Irving-Brown, Assistant Director, Financial Management who acts as Secretary to the Committee.

Terms of Reference

The current Finance Committee Terms of Reference were reviewed and updated by the Committee at its 19th June 2013 meeting and then approved by the Trust Board on 27th June 2013.

Progress/Achievements

The Committee made satisfactory progress overall against the objectives which it set itself at the start of 2012/13 for delivery by March 2013, as follows:

Objectives	Performance
<ul style="list-style-type: none"> • Delivery of 2012/13 Budget 	Surplus, CIP and FRR targets achieved but EBITDA target not. Risk management approach worked well. Satisfactory.
<ul style="list-style-type: none"> • Development of medium term financial planning system (a) for Epsom merger and (b) independent ASPH after withdrawal from Epsom merger 	<p>a) Epsom - focus on validity of assumptions proved useful in revealing inherent risks to ASPH of proposed transaction. Contributed to Board decision merger were not right for ASPH. Satisfactory</p> <p>b) ASPH after Epsom – no progress beyond producing forecasts adequate for Monitor returns. Improvement Needed (see referral to Strategy Committee below)</p>
<ul style="list-style-type: none"> • Improvement of capital project planning, approval and monitoring 	Revision of process and standards following referral to internal audit. Satisfactory
<ul style="list-style-type: none"> • Persuade Board to establish a dedicated oversight committee for Charitable Fund 	Task completed. Satisfactory

Polices

The Committee has reviewed the Treasury Management Policy on a couple of occasions in the light of bank ratings. An updated policy was approved in February 2013.

In March 2013 the Committee reviewed a new Capital Projects Management Framework which aimed to put more rigour into business cases for capital projects.

Objectives for 2013/14

In April 2013 the Committee reviewed its objectives for 2013/14, based on:

- its experience last year; and
- the belief that future financial demands on NHS acute hospitals demand higher than presently applicable standards of financial (and other forms of) management.

The key themes of the review concerned:

1. Whether the Committee should consider financial management disciplines additional to those normally covered at monthly meetings?
2. What objectives the Committee should set itself for each discipline? Once these objectives had been identified, what were the 3 highest priorities to address?
3. What was the best method of achieving these objectives, including the style by which the Committee undertakes its work?
4. Did the composition of the Committee need to change in the light of the answers to the previous 3 questions?

In giving effect to these, the Committee is seeking in 2013/14 to cover:

- Risk based budgetary control

- Manage the delivery of key financial targets using a risk management plan.
- The FD's Think Tank
 - Use part of some meetings to develop thinking on key financial issues. The Director of Finance and Information will identify and bring these to the Committee, supported by a short paper to set up discussion. So far, we have identified 3 topics:
 - Changing our culture around procurement
 - End Game for the 3 year Financial Strategy
 - Incentives for changing clinicians' behaviour to support financial goals
- Business case delivery
 - Review the lessons learned reviews due in 2013/14 for major projects completed during this year or last.

Referral to the Strategy Committee

The Trust's medium term financial planning is satisfactory for its main use: Monitor submissions. However, to become a more useful tool for the Board it needs to be driven by the Board's strategy setting process as well as to examine the implications of scenarios (e.g. for the health economy or the Trust's positioning within it). The Strategy Committee is better placed to lead this improvement than the Finance Committee acting independently of the rest of the Board.

Conclusion

The Committee has complied with its Terms of Reference during the periods under review.

Jim Gollan
Finance Committee Chair, July 2013

Ad Hoc Changes to Terms of Reference

Purpose

The CEO asked the Committee to consider if it should widen its remit to include oversight of 'Performance'. Having discussed this in outline with the Deputy CEO, the Chair now sets out a proposal for the Committee to consider, develop as needed and approve, for recommendation to the Board.

Guiding principles

The following principles to setting boundaries to the Committee's remit seem relevant:

- Exclude from consideration performance in clinical delivery (belongs to IGAC) and HR management (Workforce Co). By reason alone of their composition, these are significantly more suitable venues for addressing oversight of performance in their respective areas.
- Avoid adding activity which, although it might look like better governance to external readers of the Terms of Reference of Board Committees, fails to add sufficient value to the Board's work. In this context, widening scrutiny means more information overhead and courts two risks: loss of focus and duplication of effort between the Board itself and a putative Finance and Operational Performance Committee.
- Expand mandate by experiment and adjust by learning rather than an initial grand design.

Observation

Even so, Finance Committee is arguably already performing parts of the 'operational performance' remit. This is unacknowledged in its Terms of Reference, simply because we approach operational performance through the lens of its financial implications.

Proposal

Taking all of the above into account, please consider the addition of the following Operational Performance content to the Committee's work:

Scope change	Frequency of activity	Proposed work in 13/14
<ul style="list-style-type: none"> • Review of operational effectiveness targets 	Quarterly	Oversee delivery of the divisional efficiency, 13/14 targets due shortly.
<ul style="list-style-type: none"> • Review of progress against Compliance targets per Corporate Plan and recovery plans where necessary 	Quarterly	Agree (a) what targets are in scope, (b) what a (Board/ Committee level) delivery/ recovery plan should contain Oversee delivery of in scope targets.
<ul style="list-style-type: none"> • Discussion of the performance management framework, annual 	Annual	Review in late winter/ early spring 2014