

EAST KENT HOSPITALS UNIVERSITY NHS FOUNDATION TRUST

FINANCE AND INVESTMENT COMMITTEE

TERMS OF REFERENCE

1. CONSTITUTION

- 1.1 The Board of Directors has established a committee of the Board known as the Finance and Investment Committee.

2. PURPOSE OF THE COMMITTEE

- 2.1 The purpose of the Committee is to maintain a detailed overview of the Trust's assets and resources in relation to the achievement of financial targets and business objectives and the financial stability of the Trust. This will include:-

- overseeing the development and maintenance of the Trust's medium and long term financial strategy
- reviewing and monitoring financial plans and their link to operational performance
- overseeing financial risk evaluation, measurement and management
- scrutiny and approval of business cases and oversight of the capital programme
- maintaining oversight of the finance function, key financial policies and other financial issues that may arise

- 2.2 As a committee of the Board of Directors, it will:

- Make recommendations to the Board.
- Develop policy.
- Monitor and hold to account.

- 2.3 The Committee is authorised to investigate any activity within the terms of reference and to seek any information it requires from any employee and all employees are directed to co-operate with any request which in the opinion of the Chair of the Committee is properly made by the Committee.

3. MEMBERSHIP AND ATTENDANCE

- 3.1 The membership of the Committee shall consist of the Chair of the Trust and at least two Non-Executive Directors, together with the Chief Executive and Finance Director.

- 3.2 **Chairing the Committee** - The Chair of the Committee shall be a Non-Executive Director appointed by the Trust Chairman in discussion with the Board of Directors.

If the Committee Chair is absent from the meeting, another Non-Executive Director as the directors present shall choose, shall preside.

3.3 **Quorum** - At any meeting of the Committee, at least two Non-Executive Directors and one Executive Director must be present.

3.4 **Voting** - When a vote is requested, the question shall be determined by a majority of the votes of the members present for the item. In the event of an equality of votes, the person presiding shall have a second or casting vote.

3.5 **Attendance by Others at Meetings** - The Chief Nurse/Director of Quality and Operations, Medical Director, Director of Strategic Development and Capital Planning and Deputy Finance Director shall normally attend. Others may be invited to attend meetings or parts of meetings, as deemed appropriate by the Chair.

4. **OBJECTIVES**

4.1 The Committee has the following specific duties and functions which are set out in a rolling annual work plan.

4.2 **Financial Strategy**

- To consider the Financial Strategy, ensuring that the financial objectives are consistent with the strategic direction and quality priorities.
- To review the Monitor long term financial model
- To review key medium term planning assumptions
- To review Monitor/LAT /CCG/NHS England, etc publications around financial and operating environment and their link to planning assumptions and models

4.3 **Monitoring Performance**

- Monitor the achievement of the financial strategy, and financial targets, associated activity targets and how these relate to the performance of the trust in non-financial domains such as patient safety and effectiveness.
- Monitor balanced scorecard, and activity and financial performance.
- To scrutinise financial and non-financial performance, trends, projections and underlying data on a monthly basis so that assurance can be sought around any action plans that address emerging patterns in finance or activity.
 - To oversee the development of financial and non-financial performance reporting, to include:
 - Greater emphasis on interpretation of the financial position and development of corrective plans where necessary.
 - Structuring monitoring reports around the key performance statements.

- Developing high level metrics to focus the Committee on areas where corrective action may need to be developed
- Linking the narrative to implications of compliance with the FT licence, in particular the financial risk rating and other licence conditions
- Monitoring agreed actions
- To consider the annual reference costs and review profitability analyses.
- To review the annual accounts prior to IAGC and Board approval (see section 12)

4.4 Financial Risk Management

To review financial risk and advise the IAGC and Board accordingly:

- Review and evaluation of key financial risks e.g. tariff changes, contract penalty considerations, CCG/SCG Commissioning intentions, achievement of savings, control of recruitment (and hence pay bill), costs and benefits of underlying additional activity
- Development of risk management process around the evaluated risks linking to Assurance Framework providing assurance around active financial risk management [Note: the formal link between the finance risk register and Corporate Risk Register will be through the Risk Management and Governance Group]

4.5 Business Case consideration and Capital Programme management

- To perform a preliminary review of proposed major investments.
- To establish the overall controls which govern business case investments, using Monitor's guidance on Risk Evaluation for Investment Decisions, and to approve the Trust's Business Case Procedure. In accordance with the Business Case Procedure (ref FPP/B1) and Scheme of Delegation rigorously review and approve business cases. (see section 5.2 below)
- To ensure that robust processes are followed, evaluating, scrutinising and monitoring investments so that benefits realisation can be confirmed.
- To ensure testing of all relevant options for larger business cases prior to detailed workup
- To focus on financial metrics within cases e.g. payback periods, rate of return etc.
- To oversee the development and management of the rolling capital programme including scrutiny of the prioritisation process, forecasting and remedial action, and report to the Board accordingly.

4.7 Other Matters

- To provide an opportunity for examination of fitness for purpose of the finance function compared to the scale of the financial challenge
- To consider ad hoc financial issues that arise (e.g. Private Patient Cap, estate revaluation etc.)
- To develop the Trust's Treasury Policy in line with Monitor's guidance on Managing Operating Cash. To scrutinise arrangements for a working capital facility and other long terms loans if required, and investment of surplus cash.
- To periodically consider changes required to Trust Standing Financial Instructions due to structural change within the Trust, developments in the Monitor regime and the wider statutory/regulatory framework.
- To oversee arrangements for outsourced financial functions and shared financial services.
- To consider such other matters and take such other decisions of a generally financial nature as the Board shall delegate to it.

5. DELEGATED AUTHORITY

- 5.1 The Board delegates the above functions to the committee. The Board also delegates decisions not of a significant nature. In practice what is significant will depend on the judgement of members but committees must refer the following types of issue to the full Board.

Any matter which will:

- Change the strategic direction of the Trust.
- Conflict with statutory obligations.
- Contravene national policy decisions or governmental directives.
- Have significant revenue, capital or cash implications.
- Have significant governance implications.
- Be likely to arouse significant public or media interest.

The Committee will be expected to take decisions in its areas of expertise unless there are wider implications for the Trust, requiring the matter to be referred to the full Board.

- 5.2 The Board delegates to the Committee the specific function of reviewing and approving business cases for capital and revenue investment falling within the following three categories:

- Self-funding business cases with a cost impact over 5 years of more than £2.5m and less than £5m.
- Non-self-funding business cases requiring up to £2.5m revenue funding over a five year period
- Business cases requiring capital investment of more than £1m and less than £2.5m

Under the Trust's Reservation of Powers section 17.1, the Board of Directors must ratify proposals involving the acquisition, disposal, or change of use of land and buildings. Disposal of protected property requires Monitor approval.

Where the disposal of land or buildings has been approved in principle by the Board (and by Monitor if protected property is involved) and a market value has been obtained, the Committee is required, under section 10 of the Trust's Scheme of Delegation, to provide to the executive members of the Committee a permitted range and/or percentage deviation from market value that may be accepted from a prospective purchaser without further recourse to the Committee.

- 5.3 The Committee is authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience if it considers this necessary. Legal advice should normally be arranged through the Trust Secretary.

6. WORKING GROUPS

- 6.1 A committee may set up permanent groups or time limited working groups to deal with specific issues. Precise terms of reference for these shall be determined by the committee. However, Board committees are not entitled to further delegate their powers to other bodies, unless expressly authorised by the Board (Standing Order 5.5 refers).

7. FREQUENCY OF MEETINGS

- 7.1 Meetings of the Committee shall generally be held monthly in advance of the main Board meeting. At the discretion of the Chair, other meetings may be held to fulfil its main functions.

8. SERVICING ARRANGEMENTS

- 8.1 A member of the Board Secretariat shall attend meetings and take minutes. Agendas and papers shall be distributed in accordance with deadlines agreed with the Committee Chair. Minutes shall normally be made available at the following month's Board meeting.

9. REPORTING ARRANGEMENTS

- 9.1 The Committee shall report in writing to the Board the basis for its recommendations, if required, in addition to submitting its minutes. Owing to the proximity of meetings, the Committee Chair will also provide a verbal update to the Board at each meeting.

10. CONFIDENTIALITY

- 10.1 All minutes of the Committee are deemed confidential, and not for publication. Confidential minutes shall be maintained, where necessary, for considerations of confidentiality, including commercial confidentiality. Matters specifically agreed to be confidential by the committee must be treated as entirely confidential. They must be minuted and reported to the Board separately. In addition, all committee business must be kept confidential until reported to the Board or otherwise concluded, unless the committee agrees otherwise.

10.2 Summary notes will be produced for public Board meetings.

11. GENERAL MATTERS

11.1 Reference should be made, as appropriate to the Standing Orders and Standing Financial Instructions and Scheme of Delegation of the Trust.

11.2 Terms of Reference shall be reviewed at least annually. Any proposed changes to these terms of reference will need to be approved by the Board.

12. JOINT COMMITTEES

12.1 The Committee shall meet annually in May, jointly with the Integrated Audit and Governance Committee (IAGC) for the purpose of reviewing the annual report and accounts, and annual plan, prior to formal approval by the Board of Directors.

12.2 Other joint meetings with the IAGC shall be held from time to time (usually twice a year) as agreed between the Chair of the FIC, the Chair of the IAGC, Trust Chairman, Trust Chief Executive and Executive Directors, for the purpose of reviewing Divisional performance and for such other matters as may be agreed by both Committees within their respective Terms of Reference.

12.3 Meetings shall be chaired jointly unless otherwise agreed by the Chairs of both committees.

12.4 All members of the FIC and IAGC shall be members of the Joint Committee. Attendance by others will be by invitation but will normally include the Deputy Finance Director and Deputy Director of Risk and Governance.

12.5 A quorum shall comprise Chairs of both IAGC and FIC, the Director of Finance and Performance Management and the Chief Nurse/Director of Quality and Operations.

12.6 In all other regards the Joint Committee will operate and be administered in the same manner as set out in each Committee's individual Terms of Reference.

End

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