

## **TERMS OF REFERENCE**

### **FINANCE AND PERFORMANCE COMMITTEE**

#### **1 CONSTITUTION**

- 1.1 The Board of Directors has established a committee of the Board known as the Finance and Performance Committee. It is a Non-Executive committee and has no executive powers, other than those specifically delegated in these Terms of Reference. These Terms of Reference can only be amended with the approval with of the Board of Directors.

#### **2 PURPOSE**

- 2.1 The purpose of the Committee is to maintain an 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. As well as maintaining an overview of the Trust's operational performance and activity. This will include:-
- Overseeing the development and maintenance of the Trust's financial and performance plans and medium and long term financial strategy
  - Overseeing the development of specific financial plans as may from time to time be required by NHSI including financial recovery plans, and other financial undertakings
  - To consider the impact of Kent and Medway STP plans on the Trust
  - reviewing and monitoring financial plans and their link to operational performance
  - ensuring that there is good triangulation between financial, performance, quality and safety and workforce plans
  - 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
  - maintaining oversight of the Trust's performance against the contract activity plan;
  - maintaining oversight of the Trust's performance against the national standard and recovery trajectories
- 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 OBJECTIVES**

#### **3.1 Financial Strategy**

- 3.1.1 To consider the Financial Strategy, ensuring that the financial objectives are consistent with the strategic direction and quality priorities.
- 3.1.2 To review long term financial models and strategies including the impact of the Kent and Medway STP.
- 3.1.3 To review annual operational plans including efficiency targets and savings projects.
- 3.1.4 To review key medium term planning assumptions.
- 3.1.5 To review NHSI/LAT /CCG/NHS England, etc publications around financial and operating environment and their link to planning assumptions and models.

#### **3.2 Monitoring Performance**

- 3.2.1 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.
- 3.2.2 Monitor balanced scorecard, and activity and financial performance.
- 3.2.3 Monitor cost improvement and savings targets.
- 3.2.4 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:

- 3.2.5 Greater emphasis on interpretation of the financial position and development of corrective plans where necessary.
- 3.2.6 Structuring monitoring reports around the key performance statements.
- 3.2.7 Developing high level metrics to focus the Committee on areas where corrective action may need to be developed
- 3.2.8 Linking the narrative to implications of compliance with the FT licence, in particular the financial risk rating and other licence conditions
- 3.2.9 Monitoring agreed actions
- 3.2.10 To consider the annual reference costs and review profitability analyses.
- 3.2.11 To review the annual accounts prior to IAGC and Board approval (see section 12)

### **3.3 Financial Risk Management**

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

- 3.3.1 Review and evaluate 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.
- 3.3.2 Development of risk management process around the evaluated risks linking to Board 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].

### **3.4 Business Case consideration and Capital Programme management**

- 3.4.1 To perform a preliminary review of proposed major investments.
- 3.4.2 To establish the overall controls which govern business case investments, using NHSI's guidance on Capital regime, investment and property business case approval guidance for NHS Trusts and Foundation Trusts, 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)
- 3.4.3 To ensure that robust processes are followed, evaluating, scrutinising and monitoring investments so that benefits realisation can be confirmed.
- 3.4.4 To ensure testing of all relevant options for larger business cases prior to detailed workup
- 3.4.5 To focus on financial metrics within cases e.g. payback periods, rate of return etc.
- 3.4.6 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.

### **3.5 Commercial Income**

- 3.5.1 Ensure new income generating opportunities from non-clinical activities are identified, appropriately vetted and safely implemented;
- 3.5.2 Ensure mechanisms are in place to provide assurance that all income generating projects are implemented timely and safely;
- 3.5.3 Review current income streams from all non-clinically related activities;
- 3.5.4 Ensure a database of all contracts and service agreements are in place and updated regularly;
- 3.5.5 Benchmark the Trust's commercial income against other NHS providers;
- 3.5.6 Receives assurance that all potential opportunities are entered on the Aspyre CIPS management system;
- 3.5.7 Ensure that robust processes are followed, to evaluate, scrutinise and monitor implementation of income generating opportunities so that benefits realisation can be confirmed;
- 3.5.8 Commission internally supported market opportunity reviews.

### **3.6 Other Matters**

- 3.6.1 To provide an opportunity for examination of fitness for purpose of the finance function compared to the scale of the financial challenge
- 3.6.2 To consider ad hoc financial issues that arise (e.g. Private Patient Cap, estate revaluation etc.)
- 3.6.3 To develop the Trust's Treasury and cash management policies in line with NHSI 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.
- 3.6.4 To periodically consider changes required to Trust Standing Financial Instructions due to structural change within the Trust, developments in the NHSI regime and the wider statutory/regulatory framework.
- 3.6.5 To oversee arrangements for outsourced financial functions and shared financial services.
- 3.6.6 To consider such other matters and take such other decisions of a generally financial nature as the Board shall delegate to it.

## **4. MEMBERSHIP AND ATTENDANCE**

### **Members**

- 4.1 The membership of the Committee shall consist of at least three Non-Executive Directors, together with the Chief Operating Officer and Finance Director. The committee meetings shall be open to all the members of the Board of Directors.

### **Chair**

- 4.2 The Chair of the committee will be the Trust chairman or non-executive director as determined by the Nominations Committee of the Board.

### **Attendees**

- 4.3 The Chief Nurse/Director of Quality, Medical Director, Director of Strategic Development and Capital Planning and Deputy Finance Director may attend.

### **Quorum**

- 4.4 Business will only be conducted if the meeting is quorate. The Committee will be quorate with at least two Non-Executive Directors and One Executive Director present. If the Trust Chair is in attendance, this will count towards the quorum.
- 4.5 If the meeting is not quorate the meeting can progress if those present determine. However, no business decisions shall be transacted and items requiring approval may be submitted to the next Board of Directors meeting as an urgent item.

### **Attendance by Members**

- 4.6 The Chair and Lead Executive, or their nominated deputy, of the Committee will be expected to attend 100% of the meetings. Other Committee members will be required to attend a minimum of 80% of all meetings and be allowed to send a Deputy to one meeting per annum.

### **Attendance by Officers**

- 4.7 The Committee will be open to the Chair, Chief Executive and Trust Secretary to attend.
- 4.8 Other staff may be co-opted to attend meetings as considered appropriate by the Committee on an ad hoc basis

### **Voting**

- 4.9 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.

## **5. FREQUENCY**

- 5.1 Meetings of the Committee shall generally be held monthly. At the discretion of the Chair, other meetings may be held to fulfil its main functions.

## **6. AUTHORITY**

- 6.1 The Committee is authorised by the 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.
- 6.2 Reference should be made as appropriate, to the Standing Orders and Standing Financial Instructions of the Trust.
- 6.3 The 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 Trust Board (Standing Order 5.5 refers).
- 6.4 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience if it considers this necessary or advantageous to its work.

## **7 SERVICING ARRANGEMENTS**

- 7.1 A member of the Board Secretariat shall attend meetings and take minutes.
- 7.2 Agendas and papers shall be distributed in accordance with deadlines agreed with the Committee Chair.
- 7.3 Members will be encouraged to comment via correspondence between meetings as appropriate.
- 7.4 The Committee will maintain a rolling annual work plan that will inform its agendas and seek to ensure that all duties are covered over the annual cycle. The planning of the meetings is the responsibility of the Chair.

## **8 ACCOUNTABILITY AND REPORTING**

- 8.1 The Committee is accountable to the Board of Directors.
- 8.2 Chair reports will be provided to the Board of Directors to include: committee activity by exception; decisions made under its own delegated authority; any recommendations for decision; and any issues of significant concern.
- 8.3 Approved minutes will be circulated to the Board of Directors. Requests for copies of the minutes by a member of public or member of staff outside of the Committee membership will be considered in line with the Freedom of Information Act 2000.

## **9 RELATIONSHIPS WITH OTHER COMMITTEES**

- 9.1 The Committee will receive reports for scrutiny from the following meetings:
- Private Practice Committee
  - Strategic Investment Group
  - Management Board (Finance / operational matters)
  - Procurement Strategy Board
  - Single Oversight Meeting
  - Financial Improvement Committee
- 9.2 The Committee has reliance on/links to Standing Financial Instructions
- Management Board

## **10 MONITORING EFFECTIVENESS AND REVIEW**

- 10.1 The Committee will provide an annual report outlining the activities it has undertaken throughout the year.
- 10.2 A survey will be undertaken by the members on an annual basis to ensure that the terms of reference are being met and where they are not either; consideration and agreement to change the terms of reference is made or an action plan is put in place to ensure the terms of reference are met.

10.3 The terms of reference will be reviewed and approved by the Board of Directors on an annual basis.

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

12.3 All members of the FPC 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.

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

12.5 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.

Approved by the Board of Directors: April 2018