

# Report to the Meeting of the Oxford Health NHS Foundation Trust

# Board of Directors

**To receive and approve**

BoD 137/2014

(Agenda item: 23)

**24 October 2014**

**Finance and Investment Committee Annual Report 2013/14**

**Executive Summary**

Attached is the Finance and Investment Committee annual report covering the period 01 April 2013 to 31 March 2014. The annual report summarises the performance and work programme of the Finance and Investment Committee during the period specified.

As part of reviewing the work of the Finance and Investment Committee, the Terms of Reference have been reviewed and some minor amendments are proposed as set out in the report.

The annual report and the revised Terms of Reference were approved and recommended to the Board by the Finance and Investment Committee at its meeting on 08 September 2014.

**Recommendation**

The Board is asked to receive the annual report and approve the revised Terms of Reference of the Finance and Investment Committee.

**Author and title:** Lyn Williams, Chair of the Finance and Investment Committee

*A risk assessment has been undertaken around the legal issues that this paper presents and there are no issues that need to be referred to the Trust Solicitors.*

**Finance and Investment Committee Annual Report**

**For the period 01 April 2013 – 31 March 2014**

The Finance and Investment Committee’s key responsibility is to ensure the effective planning and scrutiny of financial matters and decisions that the Board has determined should be reserved to the Board. The Committee’s Terms of Reference were initially approved by the Board at its meeting of 29 September 2006. The Terms of Reference were last reviewed, and reapproved, by the Board in September 2013 (as part of the Committee’s 2012/13 Annual Report).

Lyn Williams was appointed Chair of the Finance and Investment Committee from the establishment of the Committee in December 2006 and has remained Chair since that date.

**Frequency of meetings and attendance**

The Terms of Reference state that the Committee should meet not less than five times a year. In the reporting period, the Committee met six times (compared to six occasions in 2012/13 and 10 occasions, including 5 extraordinary meetings, in 2011/12).

The following Non-executive Directors (**NEDs**) and Executive Directors were members of the Committee during the reporting period:

* Chair – Lyn Williams (NED)
* Martin Howell (Trust Chair)
* Roger Reed (NED)
* Cedric Scroggs (NED)
* Stuart Bell (CEO)
* Mike McEnaney (Director of Finance)

With the exception of Roger Reed, all were members of the Committee for the entire reporting period. During the reporting period, Roger Reed’s term of appointment as a NED and, therefore, his membership of the Committee expired with effect on 30 April 2013.

The Terms of Reference of the Committee state that the membership should include the Trust Chair, two NEDs, the CEO and the Director of Finance. The Committee membership was six members on 01 April 2013 (this reduced to five from 30 April 2013 when Roger Reed’s tenure as a NED ended). The quorum is three members to include at least two NEDs (which could include the Trust Chair) and one Executive Director. A quorum of members was available for all meetings. Attendance by the members has been as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Date of Meeting | 13 May | 08 July | 09 Sept | 11 Nov | 20 Jan | 10 Mar |
| NEDs | 3 | 3 | 3 | 3 | 3 | 3 |
| Execs | 2 | 2 | 2 | 2 | 1 | 2 |
| Total | 5 | 5 | 5 | 5 | 4 | 5 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Director** | **13 May** | **08 July** | **09 Sept** | **11 Nov** | **20 Jan** | **10 Mar** |
| **Lyn Williams** | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Martin Howell | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Roger Reed | N/A | N/A | N/A | N/A | N/A | N/A |
| Cedric Scroggs | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Stuart Bell | ✓ | ✓ | ✓ | ✓ | X | ✓ |
| Mike McEnaney | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

**Key:**

✓ - attended

X - apologies

N/A – not a member of the Committee at this time

The Trust Secretary attended three of the meetings. The Assistant Trust Secretary attended six meetings to take a true and accurate record of the proceedings of the Committee.

The following officers of the Trust and other interested parties were invited to attend for all or part of meetings (number of attendances for each over the reporting period shown in parentheses):

* Chief Operating Officer (2)
* Deputy Director of Finance (3)
* Director of Informatics (1)
* Interim Director of Estates and Facilities (2)
* Director of Estates and Facilities (3)
* Director of Nursing and Clinical Standards (1)
* Capital Development Manager (1)
* Associate Director of Capital Development (1)
* Head of Financial Management (3)
* Head of Financial Services (1)
* Head of Medium Secure Services (1)
* Head of Strategy and Programmes (3)
1. **Business transacted by the Committee**

Set out below is the remit of the Committee together with a report on the business transacted over the period covered by the Annual Report.

1. ***Consideration and approval of capital expenditure***

During the reporting period, the Committee considered the following business cases and capital expenditure proposals:

* Microsoft licensing requirements - in November 2013, the Committee reviewed options for the Trust’s licensing requirements with Microsoft following the transfer of this responsibility from NHS England and approved the option to take a strategic approach and invest over the next three years in Microsoft products and licences using funding already available from the IT capital allocation;
* forensic inpatient compliance works – in March 2014, the Committee approved proposed expenditure plans for the FY14 capital budget and the application of funds from the FY15 capital budget to carry out work to meet medium/low secure standards around hanging and ligature risks and external perimeter security risks;
* re-provision of Windrush Ward (Fulbrook Centre) and Oxford City Community Hospital – in March 2014, the Committee approved the business case to relocate the Oxford City Community Hospital to Windrush Ward and investment in the partial refurbishment of Windrush Ward; and
* Dignity Plus (improving care environments for people with dementia in Oxfordshire) – in March 2014, the Committee noted the investment, supported by external funding, in the Oxfordshire Dignity Plus Programme.

Previously, the Committee had reviewed options for the replacement of the Trust’s Electronic Health Record System and approved the Trust entering into a full OJEU procurement process to replace the Trust’s current electronic record system. A full business case was anticipated to be presented to the Committee in 2013/14 but was not available and was presented during the next reporting period (in May 2014).

1. ***Approval of PIDs for schemes over £2m***

During the reporting period the Committee did not receive, and was not expected to receive, any Project Initiation Documents (PIDs) for schemes over £2 million.

1. ***Approval of any forecast variation of £100-£500k of the approved budget for a capital development***

During the reporting period, the Committee did not receive, and was not expected to receive, any forecast variation of £100-500k of the approved budget for a capital development.

1. ***Critically review the Financial Strategy, 5-year Estates Strategy, ICT Strategy and Telecoms Strategy with a recommendation to the Board of Directors on approval. Receive annual progress reports on the anniversary of their approval and review recommendations on variations to strategy. Approve supporting strategies relating to these key strategies.***

The Committee reviewed and commented upon drafts of the Estates Strategy in May and July 2013. Between the July and September 2013 meetings, the Interim Director of Estates and Facilities left the Trust and a new permanent Director of Estates and Facilities joined the Trust. The Committee reviewed and commented upon a revised version of the Estates Strategy which covered a 10 year period (2013-2023) in November 2013 and recommended this version to the Board for approval. The Committee had previously expected to receive a final draft of the Estate Strategy during the prior reporting period 2012/13 but this had not come to fruition for reasons explained in previous annual reports

In May 2012, the Committee had approved the Information Communications Technology (**ICT**) Strategy (now including the Telecoms Strategy) for 2012-16; a copy of the approved strategy was subsequently presented to the Board for information. The Committee had also approved revised ICT Steering Group Terms of Reference and requested that an annual progress report on the ICT Strategy should be presented by the Steering Group to the Committee; the Steering Group would no longer be required to present an annual report to the Board. The Committee received regular ICT programme progress updates during the reporting period 2013/14 and an annual progress report in May 2013.

The Committee had not been asked to undertake a formal critical review of the Financial Strategy during the reporting period. However, the Committee reviewed an updated version of the FY14-16 Financial Plan in May 2013, following earlier consideration by the Committee in March 2013 and the outline for the FY15-19 Financial Plan in March 2014. Accordingly, in reviewing and commenting upon the Financial Plans for FY14-16 and FY15-19, the Trust’s broad strategy for financial management was considered.

1. ***Annual review of Capital Programme and recommend to the Board***

In May 2013, the Committee received an updated Capital Programme FY14-18. An outline of the programme had been previously reviewed by the Committee and the Board.

1. ***Review the governance arrangements for the capital investment programme by request from the Audit Committee on the basis of a recommendation arising from an assurance report***

The Audit Committee did not formally request that the Committee review the governance arrangements during the reporting period.

1. ***Monitoring delivery of capital investment programme through quarterly progress reports from the Capital Programme Board***

The Committee monitored delivery of the programme through receipt of the minutes of the Capital Programme Board and progress reports throughout the reporting period.

In May 2013 the Committee contributed to the development of a more meaningful suite of Key Performance Indicators (**KPIs**) for capital projects. In July 2013 the Committee received an annual report on current, and proposed new, Capital Programme Board KPIs. In March 2014, the Committee approved new capital projects KPIs to measure how successful capital projects had been in delivering objectives, how well the capital programme had been managed and delivered and how well the agreed designs and plans had satisfied the required business outcomes.

During the reporting period, the Committee received regular progress reports relating to the Whiteleaf Centre (former Manor House) development scheme and the Section 106 negotiations. In November 2013, the Committee was informed that recent market valuation had identified that the anticipated receipt from the sale of surplus land on the former Manor House site may not be realized but that retaining part of this land could provide advantages for the Whiteleaf Centre development. The Committee recommended to the Board that, subject to a discounted cashflow analysis being applied: (i) the part previously planned for disposal be retained, subject to the loss of the capital receipt being offset by a permanent reduction in capital expenditure in FY14-16; and (ii) the scope of the Whiteleaf (formerly Manor House) Project be amended accordingly and on the basis that the underlying financial business case remained valid.

Following the decision to retain part of the former Manor House site, the Section 106 applications and viability assessments were separated out for each of the former Manor House and Tindal sites and the Committee received regular progress reports on these. The Tindal site application was progressed first as a test case which would then be followed by the former Manor House application.

1. ***Consideration of evaluation reports for capital schemes over £2m***

In January 2014, the Committee received the outcome of the Department of Health gateway review of the Whiteleaf (formerly Manor House) Project and noted that the project had achieved a “green” rating at the gateway review which indicated that successful delivery of the project appeared highly likely and there were no major outstanding issues that appeared to threaten delivery significantly.

1. ***Receive annual report from the Capital Programme Board on performance of project delivery***

The Committee received an annual report from the Capital Programme Board on performance of project delivery for 2012/13 in July 2013.

1. ***Receive an annual report from the Director of Estates and Facilities on securing VFM***

The Committee received an annual report on the Capital Investment Programme including securing Value for Money (**VFM**) in May 2013 and an update report on VFM in July 2013. In the previous reporting period, the Committee had received reporting on poor performance of the framework contractor and reinforced procedures which had been adopted as part of the capital investment process to ensure that VFM was managed and maintained. During the 2013/14 reporting period, the Committee was reassured that VFM was being achieved and maintained and that significant work had taken place to restructure the supply chain framework and monitor performance in order to achieve greater efficiency and savings.

1. ***Approve any financing or use of financial instruments within its delegation***

The Committee was not asked to approve any financing or use of financial instruments during the reporting period.

1. ***Be empowered to delegate its authority to the Chairman or Chief Executive within the limits contained in the Trust’s Scheme of Delegation***

The Committee was not asked to delegate its authority to the Chair or Chief Executive during the reporting period.

1. ***Discuss and review budgets and strategic plans and recommend changes in financial strategy***

***Long term financial plan and budgets***

In May 2013, the Committee received and noted a presentation on the updated Annual Budget FY14 and Long Term Financial Plan for FY14-16 (which had been updated in light of the Annual Plan submission to Monitor). The Annual Budget and Long Term Financial Plan had previously been reviewed by the Committee and the Board.

In March 2014, the Committee received a presentation and oral update on the Annual Budget FY15 and Long Term Financial Plan FY15-19. The Committee requested that further modelling of the budget be carried out to demonstrate the impact of a lower level of Cost Improvement Programme performance, lower surplus and EBITDA and to review the sensitivities around the capital base before proposals were presented to the Board. As no formal report was presented, the Committee did not make a formal recommendation to Board in relation to the budget or LTFM.

***Oxford Pharmacy Store***

Following the Board’s decision in March 2012, to approve a three-year plan for OPS and revoke the earlier decision to divest of OPS, the Committee continued to review the position of OPS through the reporting period and received regular updates on OPS’ financial position and performance as well as the minutes of the OPS Board.

***Cost Improvement Programme (CIP) 2013/14***

The Committee received regular CIP progress update reports throughout the reporting period. The Committee routinely questioned performance against plans and, noting the shortfall combined with the target for the coming year, urged that planning for the 2014/15 CIP occur as a priority.

1. ***Review compliance with financing agreements and covenants and the operation of treasury management policies***

In July 2013, the Committee noted the on-going consultation on the Monitor Annual Reporting Manual and, accordingly, agreed that the Trust’s existing Investment Policy and Treasury Policy should remain in force until Q2 FY14.

In September 2013, the Committee received the Treasury Management Annual Report 2012/13 and reviewed the Treasury Management Policy and approved the recommendation to maintain the existing policy in place with no revisions.

The Treasury Management Policy states that the Director of Finance should provide a summary of the quarterly cash flow report for review by the Finance and Investment Committee. The Committee received reports on cash management and cash forecasts at every meeting.

The Committee reviewed the Investment Policy, which had been updated to reflect the revised Monitor Risk Assessment Framework, in November 2013 and approved the updated policy. The Committee reviewed the Investment Policy again in March 2014 and approved changes to update the policy to reflect the removal of the Capital Control Group.

1. ***Consider changes to accounting policies before the Audit Committee scrutinises the statutory accounts***

No changes to accounting policies were identified and reported to the Committee.

1. ***Agree and monitor the work of the Capital Programme Board and review annually its terms of reference, performance and effectiveness within the integrated governance structure***

The Committee reviewed the minutes of the Capital Programme Board on a regular basis and received 11 copies during the reporting period.

The Committee received an annual report for 2012/13 from the Capital Programme Board in July 2013 which provided information on the performance and effectiveness of the Capital Programme Board.

The Committee also received quarterly progress reports for the Capital Programme Board.

In March 2014, the Committee reviewed and approved proposals to transfer the role of the Capital Control Group to the Capital Programme Board and the Services & Estates Quality Improvement Committee and Operations Senior Management Team meeting. The Committee approved the revised Terms of Reference of the Capital Programme Board.

1. ***Other business transacted***
* Finance and Investment Committee Annual Report 2012/13
* Utilisation and monitoring of Reserves
* Considered the National Reference Costs process and the development of Patient Level Costing

***Procurement***

Throughout the reporting period, the Committee received regular updates on the Trust’s procurement function

1. **Reporting**

Meetings are formally recorded. Copies of the minutes have been circulated to all Board members and formally reported to the Board of Directors.

Lyn Williams

Chair, Finance and Investment Committee