

# ANNUAL REPORT

## Finance and Performance Committee 2017/2018



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## 1. Introduction

- 1.1 This report sets out the work undertaken by the Finance and Performance committee during the 2017/18 financial year. It has been produced in order to demonstrate to the Governing Body has met the duties assigned to it by the Governing Body in its terms of reference.
- 1.2 The committee has been established by the CCG's Governing Body to provide assurance on issues related to the finance and performance of the group. Its main purpose is to monitor, on behalf of the Governing Body, how the group is meeting its statutory duties to act effectively, efficiently and economically and to reduce inequalities.
- 1.3 The evidence contained in this report forms part of the Committee's review of its effectiveness and will be shared with the CCG's Governing Body and also will be used to support the content of the Accountable Officer's Annual Governance Statement, which is a key part of the organisation's Annual Report.
- 1.4 As highlighted in last years' Annual report, the membership of the Committee has changed as a result of broader changes in the Governing Body. This has seen Les Trigg joining the Committee as Chair, firstly on an interim basis and then permanently from October 2017. The committee also welcomed Dr Mohammad Asghar, who was elected on to the CCG's Governing Body in October 2017 and Tony Gallagher, who joined the CCG as Chief Finance Officer as a joint appointment with his existing role at Walsall CCG in June 2018. The members of the committee during the year have has been:-

- |                      |   |   |
|----------------------|---|---|
| • Les Trigg (Chair)  | - | Lay Member for Finance and Performance  |
| • Dr David Bush      | - | Elected Member of the Governing Body    |
| • Dr Mohammad Asghar | - | Elected Member of the Governing Body    |
| • Tony Gallagher     | - | Chief Finance Officer                   |
| • Mike Hastings      | - | Director of Operations                  |
| • Steven Marshall    | - | Director of Strategy and Transformation |

The previous chair, Peter Price took the Chair for the Committee meeting in April and Claire Skidmore, the previous Chief Finance and Operating Officer attended meetings in April and May prior to her departure.

- 1.5 The committee met on the following occasions during the financial year:

- |                     |                    |
|---------------------|--------------------|
| • 25 April 2017     | • 31 October 2017  |
| • 30 May 2017       | • 28 November 2017 |
| • 27 June 2017      | • 30 January 2018  |
| • 25 July 2017      | • 27 February 2018 |
| • 29 August 2017    | • 28 March 2018    |
| • 26 September 2017 |                    |

Details of the attendance at all of these meetings are enclosed at Appendix 1 for information.

## 2. Committee Responsibilities

- 2.1 As highlighted above, the committee is appointed by and is accountable to the Governing Body. The details of this are set out in the group's Constitution at Paragraph 6.9.5 d) which include the key duties outlined above. In order to fulfil this role, the detailed terms of reference for the committee appended to the constitution include a number of specific responsibilities that guide the committee's work. These are listed in full in Appendix 2, but can be summarised into the following broad themes:-
- Monitoring Financial Performance and Efficiency
  - Monitoring Performance and Performance Management
  - Specific Responsibilities under the Group's Prime Financial Policies
  - Monitoring the group's work on reducing Inequalities
- 2.2 Section 3 of this report details the committee's work during the year against these four themes. As in previous years, this review of work is the most significant evidence in determining how the Committee has met its defined duties and identifying any areas for future improvements.

## 3. Work undertaken

- 3.1 This section sets out a summary of the committee's work at meetings. As the committee schedule of meetings is monthly, it organises its work so that there are a number of agenda items that are received at every meeting. By their nature, these regular reports include work against more than one of the themes detailed in the section above. Where this has occurred, it is highlighted throughout the report.

### Financial Performance and Efficiency

- 3.2 The Committee's primary purpose is to provide the Governing Body with assurance that key statutory duties for the CCG are being met. In relation to financial matters, this the committee gains this assurance via monthly reports from the Chief Finance Officer. These reports have provided the committee with an overview of the CCG's current financial position, details of the forecast position at year end and any significant issues identified that have financial implications. The Committee uses the detail from these reports to give assurance to the Governing Body that financial duties are being met effectively.
- 3.3 Assurance has been gained throughout the year that the CCG has remained on track to meet relevant financial targets with the committee scrutinising the work of the management team to address issues that have arisen during the year. The Committee has recognised that the CCG, in common with NHS organisations across the country, faces increasing pressures in managing challenging financial circumstances and highlighted the work of management to deliver the CCG's financial plans throughout the year.
- 3.4 Issues that the committee have recognised throughout the year have included increased pressure on the GP prescribing budget due to a number of factors, including the availability of particular drugs. The committee have been kept informed of the CCG's work to address this, including working with pharmacists to identify solutions to address overspends. The committee have also been advised on ongoing discussions about a disputed invoice with RWT from 2016/17.

- 3.5 One of the areas that has a significant impact on the CCG's financial performance is the development of Quality, Innovation, Prevention and Productivity (QIPP) plans. The Chief Finance Officer's regular reports to the committee gave detailed updates on the CCG's progress, noting efforts to identify schemes to address a gap in plans throughout the year. In August the committee were informed of changes to the CCG's governance structures to streamline reporting process by reducing the number of programme boards and introducing direct reporting into the committee itself. These arrangements will be reviewed early in the new year.

### Performance Monitoring and Management

- 3.6 In a similar way to its approach to gaining assurance on financial matters, the committee works to understand performance issues facing the CCG primarily through regular reporting on key areas. The Director of Operations provides a report on key performance management matters, including details of performance against key indicators from the NHS Constitution and the Head of Contracting and Procurement provides a report on activity and action associated with the CCG's contracts with provider organisations.
- 3.7 Whilst providing an overall overview of performance and contracting matters, these reports focus on highlighting areas, by exception, of potential concern about performance and outline action taken to address them. Details are drawn from a variety of sources, including intelligence from contract review activities and the providers own reporting mechanisms. The committee has been able to use these reports to seek further assurance about management actions where required and escalate issues, where necessary, to the Governing Body. In particular, the committee has noted performance issues associated with A&E waits (which has been a recognised national issue) and 62 Day Cancer waits. The Committee has been given assurance on the work with providers to address these issues, including the use of contractual sanctions where appropriate.
- 3.8 Following its work last year to review the CCG's plans and processes for using robust data to support its work, the committee has been kept up to date on ways in which the CCG has worked with providers to address data quality issues throughout the year. This has included querying details from exception reporting processes at Royal Wolverhampton Trust (RWT) and working closely with Black Country Partnership Foundation Trust to address discrepancies in performance figures. The committee has been assured that this proactive approach enables the CCG to continue to triangulate robust performance data with other intelligence to hold providers to account in a positive manner.

### Responsibilities under Prime Financial Policies

- 3.9 The committee has a number of defined roles within the group's Prime Financial Policies. The principal duty is to support the Chief Finance Officer in the development of the group's financial plans. In line with defined national time lines, the committee has discharged this duty primarily by taking a long term view of the CCG's financial position through the Chief Finance Officers reporting and a detailed consideration of a draft plan in February 2018.
- 3.10 The Committee recognised the work undertaken to develop a draft finance plan which met the nationally defined metrics. In particular, the committee noted that, detailed mitigations had been considered and included to manage all of the risks

identified in the plan, leaving a net nil risk position. The Committee queried elements of the plan before recommending its adoption by the Governing Body, which considered and agreed the committee's recommendation in April 2018.

- 3.11 In addition to discharging its operational duties within the CCG's financial policies, the committee is also responsible for developing and suggesting improvements to the policies themselves. Following reviews in previous years, the committee has not undertaken any work on this during 2017/18 but plans to do so in 2018/19.

#### Monitoring Work on Reducing Inequalities

- 3.12 The Committee discharges this responsibility primarily by ensuring that addressing these issues is built into its ongoing review of performance across the healthcare system. The committee is kept aware of ongoing work to address inequalities and, as part of its role in the CCG's risk management arrangements, the committee reviews risks assigned to it which impact on health inequalities.
- 3.13 No specific concerns have been raised in relation to health inequalities during the year through the Committee's reporting processes however, the committee has identified and discussed the potential risk to health inequalities of RWT taking on additional activity as a result of service changes across the Black Country. The committee will continue its monitoring approach to these issues throughout 2018/19.

#### Risk Management

- 3.14 In common with the CCG's other committees, the committee has taken on a broader role in the CCG's risk management arrangements. The committee reviews risks that have been assigned to it on a monthly basis, assessing whether the identified levels of risk and actions taken to address them are appropriate. The committee have also escalated risks to the Governing Body where they feel this is appropriate to do so.

## 4. Conclusions

- 4.1 The Committee plays a key role in providing assurance to the Governing Body on the CCG's continued financial and operational performance. The work it has undertaken this year demonstrates that it is continuing to meet its terms of reference by providing advice and support, particularly to the Chief Finance Officer, to ensure the CCG meets its statutory financial duties.
- 4.2 The committee remains committed to continuous improvement and, in this spirit has worked during the year to ensure that the reporting mechanisms in place to enable it to discharge its duties are effective. This has involved greater use of executive summaries to ensure that committee discussion is focussed appropriately on the most pertinent areas.
- 4.3 The committee believes that the evidence presented in this report clearly demonstrates that it remains effective and looks forward to continuing its work in the upcoming year.

## **Appendix 1 – Attendance at Meetings**

## 1. Appendix 2 – F&PC Duties (Extract from TOR)

The specific duties required of the FPC are:

- to support the Chief Finance Officer in the delivery of the general financial duties (constitution 5.3.1 – 5.3.3);
- to receive reports from the group's representative on the Wolverhampton Health and Wellbeing Board with regard to development of the joint assessments and strategies and delivery of the latter (constitution 5.1.2(c)(ii));
- to monitor the group's delivery of the duty to act effectively, efficiently and economically (constitution 5.2.3);
- to monitor the group's delivery of the duty to have regard to the need to reduce inequalities (constitution 5.2.6);
- review the Chief Finance Officer's proposals for any changes to the Prime Financial Policies prior to scrutiny of them by the Audit and Governance Committee (PFP 1.5.1)
- approval of detailed financial policies (PFP 1.1.3);
- to consider reports from the Chief Finance Officer regarding significant variances from budgeted performance (PFP 7.3) and approve any changes to budgets not significant enough to require approval by the governing body (PFP 7.4);
- to consider reports from management regarding significant variances from non-financial performance targets;
- agree the Chief Finance Officer's timetable for producing the annual accounts and report (PFP 8.1(a));
- approve the group's overall banking arrangements (PFP 11.2);
- receive reports detailing actual and forecast expenditure and activity for all healthcare contracts (PFP14.3).