

Minutes of Finance Committee Meeting**28 January 2010****Post Graduate Lecture Theatre, St Albans Hospital****Committee Members**

Stuart Lacey	Chairman and Non-Executive Director
Katherine Charter	Non Executive Director
Sarah Connor	Non Executive Director
Jan Filochowski	Chief Executive
Anna Anderson	Finance Director
Phil Bradley	Deputy Director of Finance
Dave Self	Financial Controller and Capital Accountant
Russell Harrison	Director of Delivery
David McNeil	Director of Corporate Affairs and Board Secretary

Agenda Item	Comment	Action
	<u>OPENING ITEMS</u>	
01	Chair's Opening Remarks SL opened the meeting and welcomed the members of the committee to the 4 th meeting of the Finance Committee. SL said that the key issue for the committee to discuss today was Liquidity.	
02	Apologies None	
03	Declarations of Interest None reported	
04	Minutes of the previous meeting The minutes of the meeting were approved	
05	Matters Arising and Action Log <ul style="list-style-type: none"> JF asked when the Trust could expect to receive the £7m Liquidity loan from DH, which at the Finance Committee at its last meeting had been told would be approved no later than Dec 31st, 2009. DS said that 	

	<p>it was now due to be completed by the end of February. Asked for assurance, DS said that there was nothing to indicate that it will not be approved but if the loan was not approved by the DH the monies would be loaned to WHHT on a short term basis by the SHA at some point before March 31st, 2010</p> <ul style="list-style-type: none"> • New Terms of Reference, approved by the Board were noted. 	
06	<p>Financial Performance and Forecast Outturn</p> <p>As the Board had discussed in detail the Financial Report earlier, SL asked if there were any particular items that needed to be drawn to the attention of this committee that had not be covered by the Board and were within the remit of the committee.</p> <p>SCn said that she would like to see the split of SME's from other creditors. AA said that this could be done, but there were very few of them.</p> <p>SL said that the CIP programme for 2009/10 was agreed at £10.8m. The forecast is that £8.6m is likely to be achieved and to date the figures stand at £5.9m achieved. How comfortable is the Trust that the £8.6 will be achieved. RH said that the Trust intends to get the full £8.6m this year.</p>	
07	<p>Medium Term Resource Outlook</p> <p>AA presented a paper summarising the main factors that will impact on the availability of resources and service priorities and cost over the next 3-5 years.</p> <p>The Operating Framework indicates that PCTs need to set aside 2% of their growth funding in 2010/11 to facilitate some of the strategic changes that will be needed to adapt to the much tighter financial environment. The Operating Framework also states that less capital funding will be available and Trusts' ability to borrow may be curtailed.</p> <p>The Department of Health has stated that from 2011/12 the PbR tariff will set out maximum prices rather than mandatory ones and even these maximum prices are expected to have efficiency requirements of 4.5% built in. There are intended to be substantially more best practice tariffs, which will further reduce prices. CQUIN (quality) payments are expected to increase up to 10% with an increasing proportion based on patient experience. The Operating Framework indicates that PCTs will be able to withhold payment if providers do not meet thresholds/ceilings for activity. After a period of more stable financial performance the PCT is again</p>	

	<p>facing significant overspending particularly on acute activity, which is running significantly above plan. The PCT was £7m overspent at the end of November</p> <p>Based on initial observations about the situation in West Hertfordshire, responses will need to comprise three elements:</p> <ul style="list-style-type: none"> • Internal work on productivity and the consideration of options for site rationalisation • Work with the PCT and local GPs to change models of care and consider the options for vertical integration to streamline patient pathways, especially for long term conditions • Influence the Department of Health to address national policy, eg relating to pay, where costs have increased very substantially in recent years without any commensurate increase in productivity. <p>SL asked what the Trust could expect if it adopted a do nothing approach. JF said this was uncertain, but the Trust could expect a reduction in income of around 20% over the next 5 years.</p> <p>The Committee discussed the impact of this and what may be done – for example demand showed no signs of declining and it would need to be clear from the PCT what they were not commissioning before the Trust could reduce capacity.</p> <p>Working Capital</p> <p>DS presented a paper on working capital. A working capital facility is only put in place at the point an organisation becomes a FT. Hertfordshire Supplies Management Consortium is in the process of putting in place an approved list of banks able to provide a working capital facility. This will enable the Trust to move quickly once it is approved to become a FT.</p> <p>SL drew the committee's attention to the cash flow forecast in the papers (Appendix 10 of the Finance Report) presented to the Board. Specifically to the fact that even if WHHT receives the £7m liquidity loan and delivers its forecast CIPs for 09/10, the cash balance for Sept 2010 is forecast to fall to £100k which is extremely low for an organisation the size of WHHT. The committee agreed that the feedback to the Board would need to be that this is an unsustainable position. There may be some mitigation, for example restructure the balance sheet to reflect end of year, rather than profiled monthly spend. AA agreed to prepare a plan to improve the cash forecast, which would need to part of the Board briefing session on 25 February. AA agreed to brief SL in advance.</p>	<p>AA/SL</p>
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08	<p>Liquidity</p> <p>The Trust's liquidity is very poor; a strong position would be where assets exceed liabilities. Liquidity ratio days, is used by Monitor as part of the overall measure of financial risk rating. The Finance report presented to the Board indicates that the current forecast WHHT position is less than 10 days. The Trust therefore scores badly with a rating of 1 out of 5 and will be unable to apply for FT status. In order to be able to apply for FT status WHHT will need to improve liquidity days to over 10 days when a score of 2 is achieved enabling an improved overall risk rating score of 3. To gain a best liquidity risk rating it is estimated an additional £34.8m is needed.</p> <p>The 10 liquidity day position is required by the financial year-end. This means that the Trust has to generate an additional £2m of net assets before March 31st, 2010. The committee agreed that the 10-day liquidity target had to be met if the Trust FT application was to proceed. When asked how it was going to be achieved AA said that the Trust would need to reduce its spending.</p> <p>JF added that a focussed project team would be established immediately to look at this issue and there were many ideas already being considered. However this was tough and there would be tough decisions ahead.</p> <p>It was agreed to look at this in more detail with the whole Board on 25 February.</p>	
10	<p>AOB</p> <p>None</p>	
11	<p>Date of next meeting</p> <p>25 March 2010. Medical Education Centre Watford</p>	

David McNeil
Trust Board Secretary
February 2010

Signed.....Dated.....

Stuart Lacey, Chair & Non Executive Director