

Minutes of Finance Committee Meeting

13 January 2011

Executive meeting Room, Watford General Hospital

Committee Members

Stuart Lacey	Chairman and Non Executive Director
Robin Douglas	Non Executive Director (co-opted)
Sarah Connor	Non Executive Director
Jan Filochowski	Chief Executive Officer
Anna Anderson	Finance Director
Dave Self	Financial Controller and Capital Accountant
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 meeting and confirmed that everyone had received the papers and had read them in advance.	
02	Apologies CP, PB	
03	Declarations of Interest None reported	
04	Minutes of the previous meeting The minutes of the meeting of the 6 December 2010 were approved	
05	Matters Arising and Action Log	

	<ul style="list-style-type: none"> SC asked why the Service Line Reporting papers was going to the July Board and not before as the assumption had been that it would be used to aid budget setting. AA said that it could be used as a planning tool, but this item referred to a review of the SLR progress that would be presented to the Board. AA confirmed that the Reference Cost and Service Line Reporting (SLR) paper detailed in the minutes to the December 6th meeting would be actioned for the January Board. It was reported by both AA and JF that SLR would be fully operational in WHHT no later than June 2011. 	AA
06	<p>Resource Outlook</p> <p>AA presented a paper providing an assessment of the resource outlook for 2011/12 confirming that forecast had now deteriorated from what was presented in the LTFM prepared in May 2010 due to the higher level of non-recurrent savings in 2010/11. The paper outlined two possible scenarios – Optimistic – giving a potential savings target of circa £13.7m and a Pessimistic one - giving a potential savings target of £19.7m. These figures have been arrived at by factoring in favourable solution to the issue regarding re-phasing the loans. Any change to this position will impact negatively on the Trust's CIP challenge for 2011/12. SL confirmed with AA that if the loan situation remained unresolved beyond the end of this financial year then the pessimistic savings target required for 2011/12 would increase to £21.4m. AA said that, despite the PCT receiving 2.2% growth for 2011/12, none had filtered through so far. The Trust had still not received their commissioning intentions only a report from McKinsey's, based on a cost model. The Trust provided the PCT in November 2010 its projections for 2011/12. The gap between what the Trust anticipates and the PCT/McKinsey model is around £7m</p> <p>The final tariff has not yet been agreed, although there will be changes to the Market Forces Factor – which is likely to result in a loss to the Trust of around £1m.</p> <p>The LTFM will contain a downside scenario which will have to be close to what the PCT are predicting. It is likely that the Capital expenditure for 2011/12 will need to be reduced if this gap remains.</p> <p>AA concluded that achieving a further 6 or 7% CIP in 2011/12 is a considerable challenge.</p> <p>An updated paper will be presented to the Board in January.</p>	

07	<p>Cash Update</p> <p>DS presented a paper that showed the closing cash balance as at the end of December at £3,448k, this is £1,8k less than Plan but no additional cash advance has been received from NHS Hertfordshire. The £1.8m cash shortfall against Plan at the end of December reflects £1.4m of payments outstanding for over-performance. In discussions with the PCT they have agreed to pay over performance invoices in a more timely manner.</p> <p>SL confirmed with AA that these cash flow forecasts for the remainder of 2010/11 indicated that the Trust could under-perform against its latest full year forecast by £3m before it ran out of cash.</p>	
08	<p>Loans & inclusion in the Long Term Financial Model</p> <p>DS outlined the options that had been presented to DH.</p> <ol style="list-style-type: none"> 1. Convert the outstanding loan balance to Public Dividend Capital. The Trust's preferred option 3.5% is payable every year but the loan Principal is not repaid. 2. One new loan for the outstanding balance payable over 25 years. The next preferred option because it has most benefit in the next few years. 3. The period of repayment of working capital loan 2 and the AAU capital loan extended to 20 years and 25 years respectively. The least preferred option because the Principal of working capital loan 1 (£2.2m) is payable in full in 2011/12 and the high interest rate (5.4%) of the AAU capital loan remains for the extended loan period. <p>SL asked when the Trust would hear from DH if this had been successful. JF said this was still a little unclear but will most likely be around the end of the financial year.</p>	
09	<p>Cash Strategy</p> <p>DS presented a paper that outlined the key assumptions driving the 2011/12 cash position:</p> <p><u>2010/11</u></p> <ul style="list-style-type: none"> • An opening 2010/11 cash position of £1.7m. • The 2010/11 outturn of £8.1m surplus and inclusion of the Medirest receipt of £1.8m; 	

	<p>generating an additional £1.3m of cash at the end of 2010/11 totalling £3m.</p> <p><u>2011/12</u></p> <ul style="list-style-type: none"> • An opening 2011/12 cash position of £3m. • A 2011/12 surplus sufficient to increase the cash balance by £1.3m by the end of the year. • Capital spending limited to the forecast level of depreciation and asset sales. • Sufficient surplus to meet the forecast changes in working balances without needing to slow payments to suppliers to maintain the forecast cash outturn at £4.3m. (shown in the loan update paper as approximately 6.5 days of cash) <p>The committee discussed the paper and noted the following significant risks to the forecast month end cash balances during 2011/12 which will be reviewed again at the next Finance Committee meeting :</p> <ul style="list-style-type: none"> • The level of savings and their profile during 2011/12 • Future loan terms. • PCT flexibility in agreeing the cash profile relating to the Trust's main contract. 	
10	<p>AOB</p> <p>None</p>	
11	<p>Date of next meeting</p> <p>10 March 2011 Executive Meeting Room, Watford</p>	

David McNeil
Trust Board Secretary
January 2011

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

Stuart Lacey, Chair & Non Executive Director