

## Minutes of Finance Committee Meeting

Thursday 12 January 2012

Executive Meeting Room, Watford General Hospital

### Board of Directors in attendance

Chris Green	Non Executive Director (Chair)
Sarah Connor (SC)	Non Executive Director
Robin Douglas (RD)	Non Executive Director (Co-opted)
Jan Filochowski (JF)	Chief Executive
Anna Anderson (AA)	Finance Director
Chris Pocklington (CP)	Director of Delivery

### In attendance

Patricia Duncan (PD)	Company Secretary
Clare Stafford (CS)	Deputy Finance Director
Dave Self (DS)	Financial Controller and Capital Accountant
Dr Tony Divers (TD)	Divisional Director, chair of SLR Steering Group
Casandra Daubney (CS)	Finance Team
Phil Church (PC)	Big Ask lead
Esther Moore (EM)	Head of Service Planning

Agenda Item	Comment	Action
	<b>OPENING ITEMS</b>	
<b>01/12</b>	<b>Welcome/Chair's Introduction</b> Chris Green opened the meeting and welcomed the members of the Committee noting this was his first meeting as Chair and Clare's as Deputy Finance Director. He welcomed Phil Church, Casandra Daubney and Dr Tony Divers who were in attendance.	
<b>02/12</b>	<b>Apologies</b> - .None.	
<b>03/12</b>	<b>Notes of the previous meeting 10 November 2011</b> Anna Anderson detailed a number of inaccuracies in the minutes and it was agreed that an updated set would be circulated.	PD
<b>04/12</b>	<b>Matters arising and action log from the meeting dated 10 November 2012</b>  <b>01 Late Papers</b> Chris Green pointed out that papers were still arriving late and asked all concerned to make a special effort to get all material circulated punctually and professionally henceforth.  <b>05 Cash Management</b> Dave Self updated that £4.2m of the £7.7m capital allocation	

	<p>was spent and spending was increasing in line with plan.</p> <p><b>08 Big Ask</b></p> <p>On Agenda but did not include the detailed breakdown of delivery by owners as requested at November meeting. To be provided at March 7 Meeting.</p>	
05/12	<p><b>5a Big Ask Programme 2011/12</b></p> <p>Phil Church took members through the Big Ask report, noting that all the amber/red plans were reviewed in December to estimate what could be delivered. A potential shortfall of £2.1m was identified with further risk of up to £1.8m. PC outlined mitigating actions in train. Jan Filochowski stated he was keen to ensure the PPU project was progressed through a high level meeting with the private provider as soon as possible. It was agreed that the Chair of the Finance Committee would attend if the Chairman could not.</p> <p>Anna Anderson noted that the Big Ask was a big element of the Trust's overall financial position but there were other areas to consider, including additional funding for over activity and transformation funding. JF advised he had discussed the latter with the PCT and believed they would be supportive.</p> <p>JF observed that £13.5m was the original maximum savings target determined by the Trust and that this was increased in line with QIPP. He believed the Trust would be sufficiently close to its original target if the mitigating actions are successful.</p> <p>CG was concerned that the purpose of the Big Ask was to find and deliver recurring productivity savings. The mitigating actions would deliver the year end number but would still leave an increased target in 2012/13.</p> <p>PC noted that most as the obvious savings opportunities had now been exhausted Future plans would have to be more transformational. The Chair said that a briefing on savings in advance of the Board to Board would be helpful.</p> <p>The Chair summarised a useful discussion on the lessons learnt for 2012/13:</p> <ul style="list-style-type: none"> <li>(a) Whilst Divisional teams had made progress on 'divisional schemes', the corporate schemes which ran across the Trust had not been as successful and needed local ownership. All savings targets should be allocated to divisions by the start of the year. .</li> <li>(b) The PMO approach needs to be more centralised than the devolved approach in 2011/12 but less centralised than in the previous year.</li> <li>(c) Greater emphasis is needed on identifying recurrent savings and holding owners to delivery.</li> <li>(d) Run rate is a very useful measure of progress and avoids the complications of categorising schemes as budget reductions or cost avoidance.</li> </ul>	

	<p>AA echoed these comments and added:</p> <ul style="list-style-type: none"> <li>(e) The need to focus on agreeing 2012/13 savings plans during the next three months to ensure full implementation from the beginning of the new year.</li> <li>(f) Next year's savings need to cover those made non recurrently this year. Full year effects of 2011/12 savings must also be achieved.</li> </ul> <p><b>5b Big Ask Programme 2012/13</b></p> <p>CG reminded the meeting of the commitment to brief the February Development Board on the detailed proposals for delivering the 2012/13 Big Ask. PC confirmed that this was largely a top-down exercise which needed to be owned by Divisions. CG said the Board would wish to see evidence that the lessons in 5a above were being implemented.</p> <p><b>5c Downside Scenario</b></p> <p>Anna Anderson drew the Committee's attention to the top three Business Risks listed in the downside scenario detailed in the new Integrated Business Plan. The Downside Risks identified totalled around £6 million each year and the Committee noted that balancing mitigations took account of recurring and non-recurring costs. The Committee supported the downside plan.</p>	
06/12	<p><b>Meridian</b></p> <p>The Committee discussed Chris Pocklington's report noting the key challenge was to improve productivity as identified by Meridian. The Chair commented that the outcome of the exercise was disappointing. JF concurred but believed a lot of the work would influence future approaches, particularly in divisional ownership of the productivity challenge. He felt Meridian initial figures were over-optimistic. JF believed they came at a time when the Trust had already made significant progress to address productivity which limited the further benefits possible. Anna Anderson noted that both Natalie Forrest and Chris Pocklington had identified that there were significant opportunities in theatres and elsewhere to make savings. Sarah Connor echoed the Chair's disappointment and suggested that in any future a range of anticipated benefits should be presented rather than a single number.</p> <p>PC believed that one positive impact of the Meridian work was to reinforce the need to review job plans – to ensure these only provide for the input the Trust needs to deliver services rather than what individuals may want to do..</p> <p>JF believed the PCT would consider the work undertaken by the Trust as very positive. AA advised the need to quantify what more could be done to achieve the original sum identified by Meridian, an estimate has been built in to the Trust's overall recovery plan for 2011/12 and a further £1.6m is assumed in next year's plan in the IBP.</p> <p>The Chair summarised the lessons learnt as:</p>	

	<p>it had been right to involve external experts in a search for new productivity and some of the ideas would bear fruit in the future. The Board did however to be more wary of big target numbers and demand a range of likely outcomes. In future.</p>	
07/12	<p><b>Development of SLR</b></p> <p>Cassandra Daubney reported that WHHT was now well advanced in the introduction of the SLR process. She took the Committee through further developments: The SLR system would be on the intranet from 16<sup>th</sup> January, providing information on PbR, reference costs, theatre capacity and average length of stay as well as SLR.</p> <p>The next stage was to get people to use the system to make a difference. This will be through a top down cascade and she suggested attendance at CPOP, targeting business managers and ensuring reports go to departments. CS reiterated the importance of stakeholder management in rolling out SLR, including the use of divisional finance staff to get users to understand the analytical potential of SLR.</p> <p>Dr Divers noted the project was in the early stages and was disappointed about the absence of an internal market for diagnostic, with SLR being used mainly for GP work in this area. He thought that staff would find the information challenging initially and felt it was important to get some clinical early adopters to evangelise the benefits. Dr Divers observed the potential of the approach to identify areas for investment and divestment. Dr Divers concluded that medical colleagues were by nature competitive and this could be harnessed to encourage constructive engagement.</p> <p>The Chair summarised the key measures of success for 2012/13 as:</p> <ul style="list-style-type: none"> <li>(a) The system should be embedded (people using it actively to inform decisions.)</li> <li>(b) SLR should be made part of routine reporting and performance management by mid 2012/13.</li> <li>(c) It should inform investment and divestment decisions and budget setting with greater input to 2013/14 financial planning.</li> </ul> <p>JF concluded by suggesting members read an article in the HSJ about work at North Staffs to develop SLR.</p> <p>The Chair wished to record the Committee's congratulations to staff involved in the project on the progress made so far.</p>	
8/12	<p><b>Cash Management</b></p> <p>Dave Self confirmed that, provided the Trust achieved its surplus target of £3.6m, the 2011/12 year end cash balance of £0.5m would be achieved. This would have been £6.5m had the re-scheduling of the Loan Repayment taken place but this is now expected at the point of FT authorisation..</p>	

	<p>SC questioned the level of risk in delivering a positive cash balance. DS explained that whilst the Monthly Cash Balances remained better than planned, his projection was based on balancing known Risks with robust Mitigations. He had identified a worst case negative scenario of £2.1m and the Trust was in active discussions with Herts PCT on ways to re-balance such a cash shortfall. The final default would be to delay year end bills until 1<sup>st</sup> April.</p> <p>The Committee noted the position.</p>	
9/12	<p><b>Surge Ward Business Case</b></p> <p>The Chairman reminded the Committee that the Board had asked the Executive to avoid a repetition of the disruption to services last winter as a result of emergency pressures. The Executive had responded with a special Board event with Clinicians in June 2011 which identified the need for winter Surge capacity and the Board agreed this should be in place by December 2011.</p> <p>Chris Pocklington and Esther Moors presented a Business Case for the recent investment of in the new Surge Ward (Red Suite). RD congratulated the authors on a very professional and helpful paper. Following a discussion on the delivery of the project, the Chairman summarised the lessons learnt as:</p> <ul style="list-style-type: none"> <li>a) The physical project had been implemented on schedule on 8 December and had resulted in WHHT achieving its Emergency Targets despite a surge in demand. The Executive Team were to be congratulated on this impressive delivery.</li> <li>b) The tripartite meeting between Board, Executive and Clinicians had proved to be a highly successful way of resolving a crisis and should be used again in similar circumstances.</li> <li>c) The way the financial issues were handled was far less satisfactory and failed to recognise a 'zero budget' scenario in which additional unplanned expenditure had to be matched by savings before investment proceeds. The Board would expect estimated costs to be identified at an early stage in future situations together with savings that rebalanced the budget – it was unacceptable to 'dump' an unresolved cost on the Finance team after the event.</li> </ul>	
10/12	<p><b>Any Other Business</b></p> <p><b>10.1</b> The Chairman asked that future meetings should allow 1½ hours and would ideally precede the Audit Committee 1100 – 1230hrs.</p> <p><b>10.2</b> Terms of Reference should be reviewed in March.</p>	

11/12	<p><b>Date of Next Meeting</b></p> <p><b>Provisional: Wednesday 7 March at 3pm – 4:30pm</b> Executive Meeting Room, WGH</p> <p>Current planned dates (subject to change): 10 May 2012 12 July 2012 13 September 2012 8 November 2012</p>	
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