Ashford and St. Peter's Hospitals NHS
NHS Trust

TRUST BOARD
28th October 2010

TITLE	**Minutes of the Finance Committee meeting held on 22nd September 2010.**
EXECUTIVE SUMMARY	The minutes of the Finance Committee meeting held on 22nd September 2010 are attached for noting. The following are the key points: - ▪ **Finance Report to 31st August 2010** – figures showed that the Trust had a surplus against budget although this had reduced compared to the previous month; ▪ **LTFM Update** – revised LTFM figures were agreed following the changes highlighted by Monitor following their initial work; ▪ **Working Capital Facility** – update on the proposals for the provision of a working capital facility once the Trust achieves Foundation Trust status; ▪ **Treasury Management Policy Review** – review of the concentration limits in the current policy in the light of updated credit ratings; and ▪ **Publication of Spend over £25,000** – received an overview of the Treasury requirement to publish expenditure over £25,000 by the end of October 2010 and monthly thereafter.
BOARD ASSURANCE (Risk) / IMPLICATIONS	The Board is assured by the scrutiny provided by the Finance Committee on matters of financial risk.
STAKEHOLDER / PATIENT IMPACT AND VIEWS	None obtained.
EQUALITY AND DIVERSITY ISSUES	None that I am aware of.
LEGAL ISSUES	None that I am aware of.
The Trust Board is asked to:	Note the minutes of the Finance Committee meeting held on 22nd September 2010.
Submitted by:	Nadeem Aziz, Non-Executive Director and Committee Chair Paul Doyle, Deputy Director of Finance
Date:	20th October 2010
Decision:	For Noting

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Minutes of the Finance Committee Meeting held on 22nd September 2010

PRESENT:	Mr. Nadeem Aziz	Non-Executive Director and Committee Chair
	Mr. Terry Price	Non-Executive Director
	Mr. Andrew Liles	Chief Executive
	Mr. John Headley	Director of Finance and Information
	Mr. Paul Doyle	Deputy Director of Finance
IN ATTENDANCE:	Ms. Sue Brown	Head of Nursing Specialist Services
	Ms. Catherine Townsend	Business Unit Support Manager, Cardiology
SECRETARY:	Ms. Desireé Irving-Brown	Assistant Director Financial Management
APOLOGIES:	Mr. Peter Taylor	Non-Executive Director
	Ms. Valerie Howell	Deputy Chief Executive
	Ms. Raj Bhamber	Director of Workforce & Organisational Development

Actions

1. Apologies & Welcomes

Apologies were as noted above.

Nadeem Aziz welcomed everyone to the meeting and proposed that, going forward, the meeting slot be extended to 11am, due to the ongoing volume of agenda items. The Committee agreed this proposal. PD

2. Minutes of the Meeting held on 18th August 2010

The minutes of the meeting held on 18th August 2010 were agreed.

3. Matters Arising

(i) Action Points List

It was agreed that action points 4 and 10 be deferred to the October Finance Committee meeting as the respective leads were not in attendance.

All other items on the Action Points list had been either been completed, were not yet due or were agenda items.

(ii) BMI Runnymede

The Deputy Director of Finance confirmed that the information that had been requested from BMI has now started flowing through, and that an audit is underway to review the figures. The initial profit figures stated by BMI have changed, and the final results of the audit will be presented at the October Finance Committee meeting. Nadeem Aziz pointed out that

there are two distinct issues at play, namely the decline in revenue reported by BMI, and the increase in outstanding debt owed to the Trust by BMI. Both of these need to be addressed in the report. PD

Terry Price suggested that a site visit be undertaken at BMI to provide further assurance for the audit process.

4. Activity, Workforce and Finance

(i) Activity Report

The Director of Finance and Information briefly covered the activity report and stated that the activity was lower than previous months due to an expected seasonal fluctuation in August, and explained that the budget did not take into account this dip. A graph was presented which detailed the admission trends for the past three years, and the annual dip in activity in August could clearly be demonstrated across this period.

(ii) Non-Elective Cap Initiatives

The Director of Finance and Information referred to the paper included in the meeting documentation, and confirmed that work has been ongoing to reduce non-elective admissions. The Chief Executive mentioned a recent report which confirmed that, despite the non-elective cap, non-elective admissions continued to increase nationally, as it has in the Trust, and therefore the cap appeared to not be making an impact. Nadeem Aziz requested that trajectory data be shared to show the impact of this on the Trust, and put into context the impact of initiatives taken so far. VH

(iii) Workforce Report

Deferred to October.

(iv) Temporary Staff Update

Deferred to October.

(v) Finance Report as at 31st August 2010

The Director of Finance and Information presented the Finance Report for the year to date 31st August 2010. The impact in the seasonal dip in activity on the year to date surplus was discussed, and also the impact of in-month accounting adjustments on the EBITDA.

A graph was presented depicting the actual monthly income against the NHS Surrey contract to illustrate the year to date trend. Terry Price asked how far the reconciliation process was and whether there would be an update by the next Board to Board. This will be confirmed by the Deputy Director of Finance. PD

The CIP's are currently 12% (£371k) behind target (last month 14%), and the gap in the forecast to end of year has also reduced. It was decided this would be discussed under agenda item 4(vi).

The Chief Executive asked whether a report could be created to show pay costs in relation to activity. DIB

The forecast was discussed, and it was agreed that, whilst it was prudent, it was reasonable based on the assumptions that had been flowed through using year to date actuals to support the forward forecast.

The Director of Finance and Information explained the Better Payment Practice table, and explained that the Trust is rated as good payer compared to peers.

Nadeem Aziz requested formatting changes to appendix one, including columns to separate the MTD and YTD figures, and percentage variances to be added. Pay and Non-pay as a percentage of income should also be indicated. DIB

The steep increase in outsourced imaging costs was queried, and Des Irving-Brown confirmed that this was under investigation and would be explained at the October Finance Committee meeting. DIB

(vi) CIPS Balance Scorecard

The Director of Finance and Information provided a summary of the CIP's performance as at 31st August 2010. The activities undertaken during August resulted in the EOY gap being narrowed by £100k, and the year to date variance only increased by £60k, which is the lowest variance since April.

The Chief Executive requested that every effort be made to reduce the YTD gap by £350k and the YTD gap by £160k by October.

5. Capital Programme

Due to time constraints, this was not discussed in detail, but it was requested that a less detailed, top level version of this report be presented in October, providing a summary of the activities undertaken, and what is being planned. VH

6. LTFM Update

(i) LTFM Update

The Director of Finance and Information provided a summary of the changes as a result of the meeting with Monitor. These included changes in the assumptions around Education and Training income, Matched Drug Funding and PDC dividends. The result was a slight change in the base case number, and some discussion ensued around possible downside mitigations that could be proposed. The Committee noted the changes.

(ii) Working Capital Facility

The Director of Finance and Information provided a summary of the requirement to provide a working capital facility by 8th November 2010 before Foundation Status is confirmed. PricewaterhouseCoopers will offer an opinion of whether the working capital requirement calculation is robust once they assess the Trusts self certification of its two year solvency projection. The cost of providing the working capital facility will

be around 0.4% which equates to £60k per annum based on the current requirement of £15m and there is not much competition in the market to provide this type of facility. The banks have also indicated that they would like cash be held on deposit with them, but that this will not form apart of the facility agreement. An update will be provided at the next Finance Committee meeting. JH

(iii) Treasury Management Policy Review

The Director of Finance and Information explained the background to the paper submitted to the Committee, and mentioned that the policy had been compared to similar Trusts for consistency. The Finance Committee agreed that risk should be spread out, but Nadeem Aziz pointed out that the spreading of risk by diversification should be balanced out by the cost of doing so, for example having to employ a treasury manager to manage multiple portfolios. Some discussion followed about the limits that should be imposed on each bank, and it was agreed that a percentage be applied to each of the four banks mentioned in the second table (HSBC, Barclays, Lloyds and RBS), with a £5m maximum cap. The caps for the other types of banks would remain as they are, but a percentage should be introduced for these as well. The revised proposal will be brought to the Finance Committee in October, and thereafter, the Committee should review the treasury reports each month to evaluate the spread of risk. PD

7. Cardiology Catheter Laboratory – Feasibility Study In House Bid

Catherine Townsend presented a paper on the feasibility of providing an "in-house" Cardiology Catheter Laboratory. The recommendation not to proceed was accepted by the Committee.

The timing of the tender process was discussed, and it was stressed that all tenders should be evaluated with reference to the "In-House feasibility study" to ensure the successful candidate has sufficient working capital and a strong ability to attract and retain staff.

8. H M Treasury: Transparency – Publication of spend over £25,000

The Director of Finance and Information provided a brief overview of the implications of the report. This requirement is not negotiable and will have to be undertaken by the Trust until Foundation Status is achieved. A draft of the disclosure will be provided at the October Committee meeting. Some costs such as payroll are excluded. PD

9. Identification of Financial Risks

(i) Items for Risk Register

There were no items to add to the Risk Register.

(ii) Key Points to take to Trust Board

It was agreed that the following were key points to take to the Trust Board: -

- Performance of the CIP programmes YTD and actions taken to rectify;

- The Balanced Scorecard explaining the reduction in surplus in month and the amber EBITDA figures.

10. Items for Information

(i) Schedule of Business 2010/11

The Committee noted the draft Schedule of Business for 2010/11 and it was agreed that the review of the Alliance contract be deferred to November. PD

(ii) Business Cases approved by the Trust Executive Committee

The changes to the business case relating to a Facilities electricity infrastructure upgrade were noted. The Business Case accepted at the July TEC regarding the appointment of a Consultant Anaesthetist was also noted.

(iii) Tender Waivers

There were no Waivers in August for the Committee to review.

11. Any Other Business

There was no other business raised.

12. Date and Time of Next Meeting

Thursday 21st October 2010 at 8.30 a.m. at Stephanie Marks Building Seminar Room, St. Peter's.