ROYAL BROMPTON & HAREFIELD NHS TRUST

Minutes of a Meeting of the Trust Board held on 15 December 2004 in the Concert Hall, Harefield Hospital

Present: Lord Newton of Braintree: Chairman
Mr C Perrin: Deputy Chairman
Mrs I Boyer: Non-Executive Director
Professor T Evans: Acting Medical and Research Director
Professor M Green: Non-Executive Director
Mrs M Leadbeater: Director of Finance
Mrs S McCarthy: Non-Executive Director
Mr P Mitchell: Director of Operations
Professor A Newman Taylor: Acting Chief Executive
Dr. C Shuldham: Director of Nursing and Quality

By invitation: Dr. J Chambers: Consultant in Clinical Governance, HH
Mr R Craig: Director of Governance and Quality
Mr W Fountain: Associate Medical Director, HH
Mr N Hodson: PHCD Project Director
Mr N Hunt: Director of Commissioning and Business Development
Dr. C Ilsley: Chairman Medical Committee, HH
Dr. B Keogh: Chairman Medical Committee, RBH
Dr. R Radley-Smith: Associate Medical Director HH
Ms J Thomas: Director of Communications
Mr T Vickers: Director of Human Resources
Mrs J Walton: Director of Fundraising
Dr. R Wilson: Associate Medical Director PHCD

In Attendance: Mr S Allen: Berwin Leighton Paisner Solicitors
Mr J Chapman: Head of Administration
Mr P McGinty: PHCD Project
Mr I Robertson: Lead Negotiator PHCD
Mr D Wilson: Assistant Director of Finance
Mr P Siddall; Atis Wetherall Property Advisors
Mr M Custance; Price Waterhouse LLP PHCD Financial Advisors

An apology for absence was given by Ms Josephine Ocloo, Co-Chairperson RB&H Patient and Public Involvement Forum.

The Chairman welcomed members of the public to the meeting.

REF

2004/142 MINUTES OF THE MEETING ON 23 NOVEMBER 2004

Mrs Pauline Crawley asked the Board to note that she is Chairman of Harefield Residents and Tenants Association.

Dr. Caroline Shuldham indicated that Ms Josephine Ocloo had participated in implementation of the independent paediatric enquiries as Chairman of the Patient and Public Involvement Forum and not as Chairman of the Parents Liaison Group.

The Board then confirmed the minutes of the meeting on 23 November 2004.

2004/143 FINANCIAL YEAR END FORECAST AND RECOVERY PLAN

Mrs Mary Leadbeater, Director of Finance, explained that the financial year-end forecast presented to the Board at the previous meeting had been inadvertently circulated with the recovery plan agreed early in December in the paper for the current meeting. An updated year-end forecast was tabled before the meeting commenced and circulated to members of the public.

The previous report indicated the forecast gross year end deficit was £4.5mn with action agreed by the Executive Directors reducing it to £2.9mn. Further measures had been taken to increase income and reduce expenditure with other action, mainly non-recurrent, following a review of the Trust's balance sheet. This could be expected to reduce the overall deficit to about £1mn. Additional measures were currently under review; the aim of these was to achieve a break-even position at the end of March 2005.

Mr Charles Perrin, Chairman of the Finance Committee, said an additional meeting of the Committee had taken place earlier in the afternoon. The Committee had carefully scrutinised the tabled report and supported the forecast and all the measures that the report indicated were being implemented within the Trust. Mr Perrin drew the Board's attention to the incorporation of new funding for the national IT programme amounting to £220,000 in the recovery plan as the Trust was unable to spend it by 31 March 2005. The Committee was satisfied this was the proper course of action and a comparable source of funding would be identified for IT investment in 2005/6.

The Board noted the report and approved the measures being taken to achieve break-even. The Board gave its continuing support to the Executive Directors to balance the budget in 2004/5.

2004/144 DOMESTIC AND CATERING SERVICES PROCUREMENT

A report on the outcome of competitive tenders for a contract to provide domestic and catering services at Harefield Hospital and domestic services at RBH, in accordance with Standing Financial Instructions (SFI), was received. A project steering group was set up to coordinate the process and evaluate tenders. The group members included Mr David Potter, Chairman of Re-Beat, a Patients' Charity. Wide consultation took place with staff across the Trust. The report recommended that the contract should be awarded to ISS Mediclean.

The contract would be for three years from April 2005 with an option to extend by up to two years, subject to performance.

Mr Charles Perrin said a detailed report had been scrutinised by the Finance Committee. It was satisfied the procedure was thorough and complied with SFI and approved the recommendation to award the contract to ISS Mediclean.

The Board noted the report and the recommendation.

2004/145 REPORT FROM DIRECTOR OF OPERATIONS

Mr Patrick Mitchell, Director of Operations, presented a report on progress with capital schemes in the current year which the Board noted. Mr Mitchell drew attention to the replacement of two gamma cameras in the Nuclear Medicine Department at Royal Brompton Hospital. The report recommended leasing new cameras which could increase operating costs by £150,000 per annum and this was reported to the Board in accordance with SFI. The pricing structure for the service would be reviewed to minimise the additional costs.

The Board noted the report.

2004/146 COMMENTS FROM MEMBERS OF THE PUBLIC

Mrs Jean Brett, Chair Heart of Harefield, confirmed that they were in agreement with the Board on the catering contract. Mr Potter's input on this and the absence of dissension, showed the wisdom of consulting and working with staff and patient representatives, rather than causing problems by working against them.

The Chairman, having heard that Mr Potter had been in hospital recently, asked Mrs Brett to convey the Board's good wishes for a full and speedy recovery. Mrs Brett thanked the Chairman for his kind remarks and assured that Mr Potter was making good progress.

Mrs Pauline Crawley, Chairman of Harefield's Tenants and Residents Association, asked what progress had been made following the presentation of the staff petition against car parking charges at Harefield. Professor Anthony Newman Taylor, Acting Chief Executive, said that staff comments had been taken to heart and that staff would be informed that new proposals would be put before the next Board meeting.

2004/147 OUTLINE BUSINESS CASE FOR THE PADDINGTON HEALTH CAMPUS DEVELOPMENT

The Board received the Outline Business Case (OBC) for the Paddington Health Campus Development (PHCD) which was being presented during the month to all relevant NHS organisations in North West London. The Chairman explained that an accompanying confidential report on land and property transactions that were integral to the business case had to be considered by the Board in a

Part 2 meeting, from which members of the public would be excluded. The Board of St. Mary's NHS Trust had met the previous day and adjourned during the open meeting to a private meeting and then had resumed the open meeting to approve the Outline Business Case in the presence of the public. The Chairman suggested this course was inappropriate for the Board of Royal Brompton & Harefield NHS Trust. He would ensure a full discussion of the OBC took place with the public present and asked them to bear in mind that commercially confidential issues had to be considered in private and if it was the wish of the Board and members of the public that the Board should return to an open meeting after the private meeting this should be made clear before the public were excluded.

Mrs Jean Brett, Chair Heart of Harefield, indicated this was an acceptable proposal.

Professor Anthony Newman Taylor, Acting Chief Executive, explained the background to the Outline Business Case for the Paddington Health Campus proposal. The OBC had been developed to demonstrate how Royal Brompton and Harefield and St. Mary's NHS Trusts with their academic partner, Imperial College School of Medicine, had considered and developed a solution for the provision of specialist hospital services which addressed their investment needs and the decision to centralise heart and lung and paediatric services in North West London. The OBC proposed relocation of specialist hospital services with related medical research and education on a new health campus in Paddington. The hospital services would be developed on a site north of the Grand Union Canal with the new IC building, in which the National Heart and Lung Institute (NHLI) would be located, south of the Canal. This followed an offer from Westminster City Council (WCC) of the North Westminster Community School site which was on the north side of the Canal. Reconfiguring the PHC on the north side of the Canal also involved acquiring land owned by the Paddington Development Corporation Ltd, known as the Grand Union and Windings site. The two land acquisition proposals would be considered in the private Part II meeting. Previously the plan was to locate the RB&H building on the south side of the Canal adjacent to the new Imperial College building.

Professor Newman Taylor stressed that the two Trusts would continue to be independent even though they were located on the same site.

Professor Newman Taylor summarised the benefits of the proposed development of the Paddington Health Campus. Heart and lung services would be provided on a single site, a new centre would be provided integrating maternity and children's services adjacent to St. Mary's Hospital and Royal Brompton and Harefield Hospital. The specialist heart and lung services would be adjacent to all the specialist services provided by St. Mary's Hospital. Clinical and non-

clinical support services would be provided jointly, creating efficiency savings which were calculated to yield £21mn per annum.

An option appraisal was undertaken for the OBC chaired by the Chief Executive of North West London SHA with representatives from the constituent NHS organisations in North West London. It compared the proposed PHCD with a do-nothing option, a Fulham Road Chelsea development and a do-minimum option within St. Mary's, Royal Brompton, Chelsea and Westminster and Hammersmith Hospitals. The PHCD emerged as the preferred option albeit with the need to review urgently the proposals for paediatric services within the new OBC, because they were not as formerly envisaged.

Professor Newman Taylor indicated that the overall capital cost was calculated at £789mn based on facilities with a gross internal area of 184,000m². The cost included capital costs incurred by Imperial College through relocating the NHLI to the Campus and an estimated £50mn for medical equipment, a proportion of which would be funded by Charitable Trustees. There was a combined capital and revenue deficit in the transition period between financial close and commissioning the new hospital which could be supported with funding from the Department of Health and the SHA. The Trust was however being asked to find £4mn capital over four years and £4.8mn revenue over six years and the Board had to consider this carefully.

Affordability of the Development under the current financial regime had been reviewed with changes under Payments by Results (PbR) taken into account through sensitivity analysis. Using the current basis for NHS funding both Trusts, given PCT commissioner support, were to break-even after they had relocated. However, assumptions of a 2% uplift in NSCAG funding and a 0.5% increase in the Department of Health research and development levy had to be confirmed. Under PbR the Scheme was in deficit mainly as a consequence of the rebuilding of St. Mary's Hospital which would incur much higher capital charges than currently. The Department of Health was aware of this. The proposed development anticipated an increase in income for private patient services related to the quality of the new facilities. The Board was aware of the problem the Trust was currently encountering with the shortfall in private patient income in 2004/5.

Professor Newman Taylor indicated that there were risks with the proposed development. Negotiations over the acquisition of land north of the Canal were incomplete and there were potential adverse financial consequences which would be considered in the closed meeting. There were risks in relation to planning, ensuring there will be effective competition for a PFI partner, changes in land values for the St. Mary's and Royal Brompton Hospital sites which could impact on affordability, delays in progress with the scheme and in changing

future demand for clinical services. In addition it was important for the Board to appreciate that it was projected that the new hospital would be open in 2013 whereas originally it was envisaged it would open in 2008 or 2009. This delay could also have adverse consequences for the Trust.

The Chairman invited Mr Ian Robertson, Lead Negotiator on land for the PHCD, to outline the layout of the buildings on the proposed site north of the Canal. However, Mrs Jean Brett said many people in Heart of Harefield and other supporters of Harefield Hospital had raised questions about Mr Robertson's role as to when he joined the PHCD, the conditions of his contract and how he was paid. Mrs Brett said she had asked Mr Hodson for details but her request was refused. Mrs Brett had also asked, as the land issues were so important, if Heart of Harefield could have a copy of the confidential paper (Appendix 14 to the OBC) with the most commercially sensitive figures obliterated. This request was also refused. Because Heart of Harefield had been refused material which it had requested in the proper manner Mrs Brett saw no reason why Mr Robertson, who was not the Project Director, should be allowed to speak on this section without giving details of his contract including whether the successful negotiation of land benefited him. Mrs Brett said it would be better to leave the matter to the Part 2 meeting and for Mr Hodson to explain these issues in so far as he wished.

The Chairman said it was inappropriate to give details about any individual's contractual terms. Mr Robertson however gave brief details of the terms of his appointment, how he was paid, his previous appointments and his career in the property sector. He was independent of the parties involved. He had been involved previously with Chelsfield Plc in respect of another development but had no business connections with the company. Mrs Brett said this was extremely helpful and asked Mr Robertson to clarify the duration of his contract.

The Chairman said it was inappropriate to engage in further direct exchanges with Mr Robertson on the terms and conditions on which he was engaged. The Chairman said he would seek advice from Mr Robertson and the other professional advisors present if it were to be helpful to the course of the discussion of the OBC during the meeting.

Professor Tim Evans, Acting Medical and Research Director, said it was critical the PHCD sustained and improved services for patients. It was vital for adult patients and children that the Trust provided the full range of heart and lung services and that there were appropriate clinical adjacencies to the specialist services in St. Mary's Hospital. There were however misgivings over the proposed provision of specialist paediatric services in St. Mary's Hospital which Dr. Rob Wilson would explain. Other than this the medical staff at Royal Brompton Hospital were confident the development would achieve

the optimum adjacencies possible and that the PHCD template for clinical services would deliver the Trust mission in respect of clinical services. The medical staff would wish to be assured that any configuration that emerged later in the full business case would deliver the close adjacencies for clinical research with Imperial College. Professor Evans however reminded the Board that the timescale for the Development had already slipped and this had implications for continuing maintenance of the physical plant and for continuing staff recruitment to maintain clinical excellence.

Dr. Rob Wilson, Associate Medical Director at Royal Brompton Hospital, explained that the Acting Chief Executive had invited him to be the Clinical Lead for the PHCD. The medical staff had sought to achieve a hospital at Paddington that would be recognised and owned as an international centre of excellence on a single site providing a full range of tertiary services adjacent to the specialist services in St. Mary's Hospital while preserving the Trust's independent identity. There were clinical and research benefits from co-location with St. Mary's Hospital. There would be access to the full range of its specialist services which would benefit treatment of patients and access to acute patients, would enhance clinical research and benefit the health of the nation. The medical staff had expressed concern over the loss of immediate adjacency between Royal Brompton Hospital and the NHLI but the proposal was not unacceptable. In respect of paediatrics however the clinical benefits of immediate adjacencies to St. Mary's Hospital were not being fulfilled as it was now proposed to relocate four specialities to other hospitals including Chelsea and Westminster Hospital with which Royal Brompton Hospital currently had a very close association. This was unacceptable to the clinicians and was an absolute impediment to their support for the development. Dr. Wilson also referred to the financial risks. The clinical staff were concerned about the long timescale to commissioning the new hospital in Paddington and the threats to the Trust's financial stability. They expected the Board to ensure this was overcome.

Dr. Caroline Shuldham, Director of Nursing and Quality, supported the concerns Dr. Wilson had raised about provision of paediatric services at Paddington. The OBC did not clearly identify which sub-specialities would be provided in St. Mary's Hospital. It was also important to recognise that there had been considerable changes in how services for children have been provided at Royal Brompton and Harefield Hospitals in the past four years and a flexible approach would be essential for the future as models of care would not remain static.

Mr William Fountain, Associate Medical Director Harefield Hospital, supported the views given by Professor Evans and Dr. Wilson. The treatment of patients required clinical adjacency to other specialties which did not exist at Harefield Hospital. This was even more

essential in the future as patients became older, had co-morbidity and more complex disorders which would require other specialist services. Dr. Rosemary Radley Smith, Associate Medical Director Harefield Hospital, also expressed concerns about the planned provision of paediatric services.

Professor Malcolm Green, as Vice-Principal of Imperial College School of Medicine, said the Imperial College Steering Board had considered the OBC that morning and had reiterated and endorsed strong support for the vision of a world class centre in heart and lung medicine, in acute medicine and in paediatrics together with clinical research on a single campus. It also supported the proposition that the Imperial College building should be outside the PFI. Imperial College was however disappointed that the preferred option of the Campus located the Imperial College building 100-200 metres away from the Royal Brompton and Harefield building. The distance was however within the range provided on other campuses and it was not therefore an insurmountable problem. It was however a significant issue as the preference among research staff was for immediate access on campuses. The Imperial College Steering Board therefore placed a caveat to its support for the OBC. This was an absolute commitment from the full business case to uninhibited access from the Campus to the hospital buildings and a right of way and access through them. Overall the Steering Board endorsed and ratified the OBC and noted there would be a need to revisit the Memorandum of Understanding between Imperial College and the two Trusts. The Steering Board agreed to support presentation of the OBC to the SHA.

Professor Green, as a Trust Non-Executive Director, noted that the space proposed in the Campus for education and teaching had been reduced from 4995m² to 3660m². It was essential therefore to ensure the space was used to maximum efficiency and was not reduced any further and as the development proceeded towards full business case every opportunity should be examined for increasing space for education and teaching. On the other hand embedded clinical research space had been increased from 2376m² to 2465m² which was vital for the interface with clinical services.

Mrs Mary Leadbeater, Director of Finance, gave a financial overview of the OBC. Following an appraisal of non-financial benefits and an economic appraisal of capital and revenue costs the PHC option emerged as the preferred development providing significantly more value for money than the other two options appraised and was subjected to an affordability test that examined the net income and expenditure impact on the Trust. This showed a surplus of £2.3mn for the Trust in the first full year of operation with efficiency gains through site rationalisation and shared services. Broad estimates of the net cost of transferring some current activity to other providers under the scheme were included in the affordability test. The capital

costings were based on refining detailed costings made earlier in the year and included a contingency sum.

Income assumptions for funding the project by PCT and specialist NHS commissioners under current arrangements with uplifts considered realistic by the SHA would put the scheme in surplus for each Trust and overall. The scheme assumed that while both hospitals would be vacated there would be continuing rental income from the Harefield Science Park and that each of the Charitable Trusts would continue to support the two Trusts with purchase of equipment amounting to £10mn each in an equipment budget of £50mn for the scheme. This would save each Trust VAT and capital charges amounting to £1.6mn annually. Thus the position using conventional funding assumptions was a surplus for both Trusts of just over £2mn each giving a scheme surplus of £4.4mn. This was a risked position taking into account optimism bias assumptions.

However, under current guidance the Trust is predicted to gain significantly from payment by results (PbR) but St. Mary's less so. Thus the position for the project is not positive using this basis.

The Trust recognised the PHCD to be a very large and complex scheme and as such gave rise to difficult accounting issues which would require support from the SHA, the local health economy and national support. There would however be requirements for the period between the OBC and commissioning of the scheme for each Trust to contribute to the interim costs that would be incurred. At present each Trust was required to contribute £1mn annually for four years from operational capital. From revenue the scheme to date had received contributions from PCTs which would continue but at some point the two Trusts would be expected to contribute directly with Royal Brompton and Harefield contributing £800,000 annually for six years (£4.8mn overall). This was effectively a forward commitment from the Trust's future income and expenditure account. In view of changes in provision of clinical services and difficulties the Trust had encountered this year with setting a budget and delivering a break-even position the Finance Department was working on a financial strategy for the next five years.

Mrs Suzanne McCarthy, Non-Executive Director, commented that the OBC was built on several assumptions without much certainty of the future. There was a particular assumption about increased private patient income whereas currently there were several concerns about the future course of private patient income in the Trust. Mrs McCarthy asked about the basis of efficiency gains notably in nursing, and accountability for corporate services at Paddington while preserving the Trust's independence. The Chairman said that it was very difficult to make predictions about how healthcare would be funded and managed ten or even five years ahead and judgements

would have to be made on current understandings and best estimates.

Mr David Wilson, Assistant Director of Finance, said most calculations of efficiency savings were based not only on the planned integration of services on a single site but also further outsourcing to share services with another hospital. St. Mary's contributed more in absolute efficiencies but Royal Brompton and Harefield contributed a greater share of its current cost base. The methodology derived from a Department of Health model and was applied in greater depth than the standards applied to most OBCs in the NHS. Greater detail of efficiencies would be given in the full business case. Dr. Caroline Shuldham, Director of Nursing and Quality, commented that over £2.3mn of efficiency savings were attributed to nursing and while this was common to PFI schemes, with nursing being a large proportion of the workforce, the Board should give close attention to this as the scheme progresses in the context of changing patterns of care.

Professor Malcolm Green said the Board should put the strongest pressure possible on the Department of Health to increase annually the R&D levy at a rate comparable with the 1% annual increase in HIV funding and preferably to the NSCAG annual 2% increase. Were that to be the case the Trust might be able to make the case for increased clinical research space.

From the discussion Professor Newman Taylor outlined issues the Board Members had raised in considering whether or not to approve a resolution to support the OBC and refer it to the Strategic Health Authority. There were concerns about provision of specialist paediatric services in St. Mary's Hospital which needed to be recognised and agreed by the time the OBC is submitted to the Department of Health. This was an absolute condition of the Board's support for the OBC. There was a need to consider clinical configurations and adjacencies within the Royal Brompton and Harefield building and in relation to St. Mary's. There was concern about the long timescale to commissioning and the impact on clinical care in the Trust. Concerns were raised about a sustained financial future for the Trust in the interim period and long term after commissioning. These related to the Trust's current financial state, the impact soon of PbR and the potential financial consequences of acquisition of the land which would be discussed in detail in the Part 2 meeting. The Trust had reached the position at which the local health economy could do no more and had to look to national sources to support the scheme. This was of sufficient importance to ask for an exchange of formal letters that it had been recognised.

The Trust had to ensure that it had a project that is capable of modification to changing clinical practice in the future. The Trust's responsibility for clinical management of cardiac and respiratory patients in the acute wards should be more clearly identified and

ensured. Close attention must be given to at least maintaining the space planned for medical education and research which is vital to the Trust's future. Board Members agreed the need for validation of projected efficiency savings.

Professor Newman Taylor requested the Board's view of proposals to provide £1mn annually for four years from the capital allocation and £800,000 annually for six years from revenue. It was understood that the Board of St. Mary's NHS Trust while it accepted supporting the PHC Development had not agreed during its consideration of the OBC to provide any of the funds requested. Mrs Leadbeater said the scheme would be supported by a wide range of stakeholders over a long period of time and if the Trust declined to provide the contribution from capital and revenue allocations it could have a more serious impact than the financial values themselves and could question the Trust's commitment to the development. The Chairman confirmed that all other stakeholders were demonstrating a strong commitment to the project and their willingness to commit revenue to it even though they had financial difficulties. Mrs Leadbeater however said that the Trust's financial state was, as far as could be determined at present, likely to improve significantly through PbR and the SHA and the Department of Health would therefore look at the Trust very closely if it showed signs of unwillingness to contribute appropriately to the project.

Professor Newman Taylor therefore recommended the Board to support a proposal over funding that was consistent with the decision of the St. Mary's Board.

2004/148 <u>COMMENTS FROM MEMBERS OF THE PUBLIC</u>

Mrs Brett complimented the Chairman on facilitating public involvement, which was in keeping with HSC1998/207 "Opening up NHS Board meetings to the public."

Mrs Brett criticised the new Outline Business Case as not being a proper business case because it lacked even outline planning permission which any large construction firm or PFI partner would regard as essential in a £800mn scheme. The 2000 planning application had led to a "minded to approve" in August 2002, which had proved useless due to the huge space problems on the site. Heart of Harefield had warned of the space problem for the four years it took the Trust to admit it. The Paddington Scheme lacked respectability and was in bad odour with the construction press. One of the most reputable, "Building" magazine said that any PFI firm bidding, on realising there was no planning permission, would turn and run. It was described as the "PFI from hell".

On the cost of the Project being stated as nearer £800mn Mrs Brett disagreed, advising the Board to look carefully at the OBC documentation. In that, with inflation and VAT the projected figure

by its own advisor, was over a billion. Complimenting Professor Newman Taylor on having also picked up a point which concerned Heart of Harefield. Mrs Brett said that with the Trust already being in deficit with a financial recovery plan, it being asked to commit £1mn a year for four years and £800,000 for six years, was unacceptable. If those sums were not forthcoming again there was no business case.

The OBC also included a £10mn contribution from the two charitable funds leading Mrs Brett to invite the Solicitor from Berwin Leighton Paisner, who was present, to look at what the St. Mary's letter to Mr Nettel actually said. Rather than promising £10mn the letter expressed interest in the Scheme, then asked how Mr Nettel proposed to help raise that money, which is very different.

Mrs Brett was interested in the background to the scheme as given by Professor Newman Taylor. However the scheme was supposed to be in operation by the early months of 2006 and it was now nearly 2005. The Trust had therefore got nothing from nearly £7mn of external consultants fees and Mr Hodson's 15-strong department. It was a disgraceful waste with yet another scheme now being put forward but without a planning application being in.

Referring to the previous schemes Mrs Brett explained that the 2000 business case had been wiped out by the critical September 2004 report of the National Audit Office, Treasury and Department of Health. Meanwhile there had been the Point Scheme, whereby those running the Paddington Project had managed to gull intelligent people on two Boards into thinking that the Paddington Project would be sustainable by having the Point Building. This was a joke as the Point Building by its terms of usage could not have one patient in overnight. Yet it was proposed as a suitable decant for a hospital. After this came the Grand Union Scheme or rather the disunion scheme with the Canal in the middle. The only adjacency there was to water.

The Grand Union Scheme was supposed to come to the Board for approval in a new OBC in September 2004 but did not due to the September 28 2004 Westminster Planning letter to Farrell and Partners, the Architects planning this scheme. The severe criticisms of the "Masterplan" within that letter made it clear planning permission would not be obtained. Therefore the Grand Union Scheme OBC could not go ahead. Yet by the terms of the NAO, Treasury and Department of Health's report PHC management had to provide a new OBC by the end of the year.

This took us on to the current plan which included extra land including the use of a school site in Paddington. As this was first suggested in the September 28 2004 Westminster Planning letter Mrs Brett commented that the land problem and its cost should have been

sorted out before presenting the new OBC to the Board as if the land costs for the three parcels of land were prohibitive there would have been no OBC. To avoid future embarrassment for those concerned Heart of Harefield therefore requested the withheld section of the OBC, for where there is secrecy instead of openness further problems arise.

It was Heart of Harefield's opinion that within the section to which the Heart of Harefield had been refused access the Board was being asked to commit to land payments and compensation payments should the deal not go ahead. There were also the financial implications of the interim period up to 2014 during which the Board was being asked to fund this scheme at the expense of its own Trust. This led Mrs Brett to stress that the Board's main responsibility was to the Brompton and Harefield Hospitals rather than agreeing an OBC, which due to its deficiencies, should not have been before the Board.

Noting that at the Strategic Health Authority the previous day, a letter from the Chief Executive of Westminster City Council had been widely distributed, Mrs Brett said that it would be misleading for the PHC to imply that this was a planning letter giving planning permission for the Paddington Scheme, when it is not. Naturally Westminster Council welcomed improved health facilities but they have to be built according to planning law and WCC regulations.

Mrs Brett said she was heartened the Board had learned a great deal in the last four years and over the shrewd points Board Members had made. She offered advice to the Non-Executive and Executive Directors, whose role it is to challenge and question. If it comes to vote on the resolution, if they were against, they should ask for their vote to be recorded.

Mrs Brett concluded that the OBC was nonsense. It should not be before the Board. It is because of the pressure of the NAO report. The Board had the right to reject it. There is no greater compliment to the Harefield clinicians than the way Heart of Harefield had fought with solid research and with acknowledged expertise for the last four and a half years to retain Harefield Hospital and find a way out that is affordable and pleasant. It is because Heart of Harefield is for the clinicians and admires them that Heart of Harefield will work with them and the staff for patients, for the village and the 180,000 people who signed the petition saying, "Hands off Harefield".

The Chairman indicated that many of the points Mrs Brett had raised were for the Board to note and reflect on. He took Mrs Brett's point on the letter from the WCC Chief Executive but it should be borne in mind that on planning applications the decision is that of the Council and it is not unknown for planning committees to overturn the recommendations of the planning officer and for councils to overturn the recommendations of planning committees. He did not think the

letter could be dismissed as of no consequence, while accepting that it is not the same as a letter from the planning officer. It was a letter from the most senior officer of the Council and was undoubtedly written with the full knowledge of the senior political leader of the Council. Just as it would be wrong if we presented it as a planning letter it was wrong of Heart of Harefield to present it as of almost no consequence.

Mrs Brett responded that Heart of Harefield had to deal with this because at the last Board meeting, the way the letter was presented gave a definite impression to many who were there, that it was a planning letter. It is not, which is the bottom line. Mrs Brett said that she would prefer not to have had to pursue this and suggested it would be wiser left at that. There had also been an apology from Mr Hodson, which was appreciated, because the cogent, true planning letter of September 28, which should have been in Appendix 15, had been "inadvertently omitted".

Mr John Ross, an Executive Committee Member of Heart of Harefield, said he wished to pick up the point made by Mrs Brett in the Langdon costs which did not appear to be reflected in the cost of the project in the OBC. These excluded the equipment costs referred to as £50mn when the document stated that it is £57mn. In addition, to reduce the content of the scheme 40% of the cardiology workload had been omitted. It had to go somewhere else and there were costs attached to that. There was reference to other hospitals picking up the workload but no reference to costs. Mr Ross indicated that at the SHA Board Meeting the previous day Dr. Goodier, Chief Executive, undertook to let him know what these were. These were all items that stack up on the total cost of the PHC Development. The money issue was of great concern. Not all the assumptions and the risks had been picked up. Another of great significance was the risks inherent in ICT. There was no provision for records and such like in the scheme. It was an essential Government scheme with a timetable very similar to the Project and if it ran into problems as had occurred elsewhere in the country the Trust would be in terrible trouble. There were lots of other issues and if Board Members had been through the OBC in as much detail as they ought to have done they would see that there are a lot of questions and assumptions. The land problem is a major issue but there are lots of others as well.

Mr Hodson asked if he had misunderstood. Mr Ross responded that their capital cost figure was £925mn which with VAT came to the £1.1 billion to which Mrs Brett had earlier referred. These figures were within appendix 8A which Mrs Brett then gave to Mr Hodson, pointing out the final figure was over a billion at £1,109,476,000. Mrs Brett stressed that this was their own documentation. Mr Hodson accepted this as including inflation and VAT and agreed to give Mr Ross an answer on the points he had raised.

On the cost of displaced activity at other hospitals, Mrs Leadbeater said there were two aspects, the revenue costs of carrying out the activity and the capital investment. Revenue costs were shown in the affordability schedule and in the financial chapter. The Project had offered up 90% of the revenue activity costs. Where these costs could not be isolated easily the Project had offered up 90% of London average costs. These were shown in Table 51 below the impact of the Scheme but included within the total health economy impact. In respect of capital funding, the PCTs would set aside 1% at present for non-recurrent investment. The Trust was not aware yet of any direct investment that had taken place from these funds. The Trust had however already seen considerable displacement of activity to a number of hospitals across the South East. Several of the facilities in which the new service was now provided were the result of New Opportunities Funding for investment to meet the National Service Framework for Coronary Heart Disease, which had commenced at this time. The Chairman commented that the displacement of activities was one of several factors that was contributing to the Trust's current financial problems. Displacement activity costs were covered on Page 112 of the OBC.

Ms Dara Galic, a supporter of Heart of Harefield, said that the section on planning seemed misleading. Questioning the reference on page 150 to Westminster City Council as a partner, Mrs Galic asked in what sense was it a partner. It had also not been made abundantly clear that to proceed with the project, detailed planning permission would have to be obtained. Neither was it made clear that the Board was being asked to purchase land before it had planning permission. Ms Galic stressed that it should also be made clear that while the WCC Chief Executive supports the idea of a health campus, in no way had the plan for it in the Outline Business Case, been approved by the WCC planning department.

Mr Robertson responded that Ms Galic was right in taking exception to the word "partner". When WCC discussed a proposed sale of the school site they talked of acquisition as a way forward for the Development. Their enthusiasm for the work could be regarded as exceptional and extremely positive and it is in the nature of being a partner that they are taking it forward. The Chairman said the statement conveyed the nature of the relationship with WCC but agreed Ms Galic had a legitimate point about care in describing the relationship with WCC.

A member of the public referred to Section 23.11 of the OBC which said that it was normal in PFI for the authority to have acquired outline planning approval before seeking a PFI partner, so that undue planning risk was not placed upon the bidders. This was not being done and while some reasons had been put forward, it was up to the bidders to decide whether they believed that story or not, and what price they would wish to extract if taking it on under those

assumptions. It was questionable whether it was in the best interests of the RB&H to take that kind of risk on board. The correct and proper manner was to get outline planning and then proceed with the project. He also asked how table 51 could indicate that the scheme was financially viable when 57.5% of the additional income required had not been agreed by PCTs and was this unwillingness to commit because they did not support the scheme?

The Chairman commented that these were issues that had to be discussed in Part 2 and against a background that no course was free of risk unless it is considered the Trust could stand still, which he did not believe to be a tenable position. The Chairman said the member of public was also referring to a problem the Trust had contended with in budget setting over the past two years. A large number of PCTs each funded the treatment of a very small number of patients. Mr Nick Hunt, Director of Commissioning and Service Development, commented that Hillingdon PCT, the Trust's largest commissioner provided only £5mn of the Trust total income of £175mn. This was why the Trust took the view the Project is of national importance and cannot be funded only through the local health economy.

Mrs Leadbeater said the non-North West London PCT growth income for Royal Brompton and Harefield Hospitals of £9.217mn had been calculated in detail through written support that commissioners would continue to refer the costed level of activity when the Hospitals transfer to Paddington. The member of the public continued to press Mrs Leadbeater about the PCT contribution to funding and certainty of funding activity in Paddington and the risks it posed. The Chairman said this was a risk the Trust faced whatever the situation. PCTs were not prepared to give long-term guarantees. Mrs Leadbeater suggested it would be preferable to discuss the position with the member of the public outside the meeting.

At this stage the Chairman drew the public proceedings to a conclusion. The Board had to make an important decision in a Part 2 meeting before it could approve a resolution in public to support the OBC and refer it to the Strategic Health Authority. The outcome would be reported at the next open Board meeting.

2004/149 RESOLUTION TO EXCLUDE MEMBERS OF THE PUBLIC

The Chairman proposed the following resolution which was adopted;
"that members of the public be excluded from the remainder of the meeting, having regard to the confidential nature of business to be transacted, publicity on which would be prejudicial to the public interest"
(Section 1 (2) Public Bodies (Admission to Meetings) Act 1960)

Lord Newton of Braintree
Chairman