

ROYAL BROMPTON & HAREFIELD NHS TRUST

Minutes of a Meeting of the Trust Board held on 19 June 2007 in the Concert Hall, Harefield Hospital

- Present: Lord Newton of Braintree, Chairman
Mr R Bell, Chief Executive
Mrs C Croft, Non-Executive Director
Mrs J Hill, Non-Executive Director
Mr R Hunting, Non-Executive Director
Mr M Lambert, Director of Finance & Performance
Mr P Mitchell, Director of Operations
Prof A Newman-Taylor, Non-Executive Director
Mr C Perrin, Deputy Chairman
Dr C Shuldham, Director of Nursing & Governance
- By Invitation: Mr R Craig, Director of Planning & Strategy
Mr N Hunt, Director of Service Development
Mr T Vickers, Director of Human Resources
Ms J Walton, Director of Fundraising
- In Attendance: Mrs L Davies, Head of Performance
Mrs E Schutte/Ms C Harvey, Executive Assistant
Mrs R Paton, P.A. to Director of Planning & Strategy
- Apologies: Prof T Evans, Medical Director
Prof M Cowie, Director of Research & Academic Affairs
Ms J Ocloo, Chair: RB&H Patient & Public Involvement Forum

The Chairman welcomed members of the Board, the public, FT governors elect, a group of Specialist Registrars and representatives of McKinsey.

2007/72 MINUTES OF THE PREVIOUS MEETING HELD ON 23 MAY 2007

Mr P Dodd, FT Governor elect, wished to amend minute 2007/70, page 7, line 5, to read ".....which he did not expect the Trust to comment on". With this amendment, the minutes were agreed as a correct record of the meeting.

2007/73 REPORT FROM THE CHIEF EXECUTIVE

Mr Robert Bell, Chief Executive, gave an update on the formulation of a contingency plan to address a possible shortfall in income brought about by changes in government funding provision for R&D. He reported that the consultancy firm McKinsey had been selected from four candidates to chart a direction with respect to an improvement agenda for the Trust (two members of the McKinsey team were present and were welcomed to the meeting). This engagement had just commenced and would continue for six weeks. The exercise would be concluded within the budget previously outlined to the Board. It was hoped a report would be available for the September Board meeting.

2007/74 SUBSTANCE MISUSE POLICY

Mr Tony Vickers, Director of Human Resources, presented this new policy to the Board for approval. The policy was formulated as a requirement of the action plan produced in January 2006 following the CNST level 2 assessment. He explained it was primarily a risk management policy but that every employer should be aware of the need to support staff with a substance

misuse problem and provide support mechanisms. Incidence within the Trust was relatively rare, however it was essential at all times to ensure that patient care is paramount and that staff should be fit to work. The Board were supportive of the policy but felt an adjustment was needed on page 3, para. 3, to ensure clarity about responsibility of staff to draw attention to a colleague with possible problems. It was agreed that the wording in the second half of the sentence should be separated out to highlight responsibility of staff in this regard.

Subject to these amendments, the Board approved the policy.

The Chairman thanked Mr Vickers and Ms Sarah Reynolds (HR Department) for their work in formulating this policy.

2007/75

FOUNDATION TRUST APPLICATION

(i) Progress Update

Mr Robert Craig, Director of Planning & Strategy, gave an update on developments in the FT application. There had been on-going contact with Monitor's assessment team and correspondence between the Trust and Monitor's Assessment Director confirming respective understandings of the position at the end of May. Monitor's focus continued to be on R&D income and mitigation initiatives incorporated in the contingency plan. Monitor had requested a year-end forecast to assist them with the submission of the application to their Board at the end of June and this has been supplied to them with the Month 2 results.

Mr Charles Perrin, Deputy Chairman, asked how the FT membership and Governors elect were being kept informed of developments. Mr Craig reported that all governors elect had been contacted in May and an e-mail communication had been sent to all members, but acknowledged that only approximately a third of the membership had supplied e-mail addresses. Board members were reminded that there is a specific section for FT news on the Trust website, but this did not help people without e-mail or internet access. Mr Craig further reported that the outcome of Monitor's Board meeting later in June would be included in the Patient Focus publication due to be sent out (in hard copy) in July. The Deputy Chairman stressed the desirability of keeping the general public and FT membership informed.

The Chief Executive confirmed there had been continuous dialogue with Monitor who continued to focus on a variety of details around contingencies and income levels, both current and projected. The management team continued to supply information Monitor required to facilitate their assessment for submission to the Board meeting at the end of June.

(ii) Contingency Plan

The Chief Executive confirmed that the Trust itself recognised there would be an income drop in the future as a result of R&D funding changes by the Department of Health. A set of projections revised from the original integrated business plan had been prepared to include more modest projections than before. Mr Bell said the Trust needed to be in a position to say it could address the adversity of this income loss. Management had formulated a contingency plan to address these problems should they occur but would also take advantage of this situation to drive improvement in the Trust.

The NHS London Provider Agency was being kept apprised of developments and had posed no opposition to date. Mr Bell expected other challenges,

brought about by reconfiguration due to NHS reforms, possible shifts in work patterns by PCTs, together with changes in PP income and reconfiguration in the London and international marketplace. The contingency plan had been set within this context and would be one which could be pursued and acted upon to enhance stability, not just to satisfy Monitor. The Trust would implement items when necessary to mitigate problems as they arose.

The Chairman stressed the need to keep this broader picture in mind, especially as the financial results for the first two months of the financial year were not optimal.

Mr Mark Lambert, the Director of Finance & Performance, guided the Board through a detailed discussion of each initiative within the contingency plan which consisted of three stages. The first stage was broadly financial engineering, whereas stage 2 focused on the introduction of potential reductions and consolidation in corporate and support services. Stage 3 was principally a more aggressive approach to implementation of measures already described.

Mr Lambert confirmed that the plan had changed substantially since its first draft in March and was now more prudent and robust. The Chairman felt Monitor's position at the moment was that income projections were too high from 2008/09 onwards. He asked if the Board was prepared to accept the Finance team's judgement on these figures to present to Monitor at this stage. With regards to the Charitable Fund item, further discussion would take place at the meeting of the Corporate Trustee immediately following the Board meeting.

Mrs Jenny Hill, Non-Executive Director, proposed that Monitor's scenario be considered in order to understand its implications. The Chief Executive replied that the relevant sensitivity analysis had been undertaken, but neither Monitor nor the Trust could predict what the future would hold; any projection was no more than a guess or estimate; no Trust had guaranteed income in future years. The Trust's revised projections showed R&D income falling by half – from £33M down to £17M in 2011/12. If R&D income fell yet further, it would call into question the purpose of the Trust – should we deal purely in patient care? The Trust had set its goals as a specialist, research-orientated entity and did not wish this to change. If challenged, the debate would focus on fundamental purpose, not simply whether the projections make sense. Mrs Hill agreed that all Board deliberations should be predicated on this vision.

In response to a query from Mrs Christina Croft, Non-Executive Director, about whether an unrealistic success rate in bidding for grants was forecast, the CEO explained that the bidding rounds had not concluded – the first tranche had been completed but further tranches were expected. Mrs Croft also suggested that on-costs should be included in the table. The Chief Executive explained that these were included in Appendix 2: incomes expected under stage 3 of the contingency plan. He further reported that although grant application dates were known, we did not know the date they would be received.

The Chairman felt the Board was happy that the contingency plan should be submitted to Monitor subject to a number of minor changes Mr Lambert was instructed to make.

2007/76

PERFORMANCE REPORT FOR MONTH 2

Mr Lambert reported that the I&E position showed a cumulative deficit of

£714K. Reasons for this included CIPs not being agreed until the end of May and significant underperformance in Private Patient income. In addition, adverse changes in NHS income and a change in the mix from emergency admissions to standard elective admissions had had an impact. The Chief Executive and Mr Lambert had discussed the position at length and decided that cost controlling measures were required. It is proposed that these measures include Director of Finance or CEO approval of new appointments, all leases, capital expenditure over a level to be agreed, and non-pay expenditure over a certain 'de minimis' level (also to be agreed).

The Chairman agreed with taking this vigorous action to avoid a deficit which would reduce our credibility with Monitor. The Chief Executive stated that he was not comfortable with the position, saying that the Trust had to change, and directorates must come forward with cost improvements. He noted that the Trust had experienced a steady erosion in income since the end of 2006. Strong expenditure control needed to be imposed, to be implemented by the Director of Operations.

Mr Richard Hunting, Non-Executive Director, noted all these measures were on expenditure lines and asked how confident the Chief Executive was of an increase in income. The Chief Executive replied that he was not forecasting a deficit for the year, and that once cost improvement initiatives had been implemented, an improvement should follow. There were serious structural problems in Cardiology, particularly at RBH, which would take time to rectify, but a surplus for the year was still being forecast.

Mr Patrick Mitchell, Director of Operations, said that once overall cost improvements had been phased in, the Board would be in a better situation to understand the issues. In activity, the Trust was below target on the number of spells – but not to the extent to cause serious concern at this time of the year. There had been a change in case mix which had affected income. Controls were in place in Respiratory Medicine to assist in this area, and there will be a planned, phased increase of activity at Harefield in the autumn. A report produced by Navigant Consulting had shown that there were operational and system problems in the RBH catheter labs which were being addressed. There had been a drop in private cardiology generally across London, and the Trust had not escaped its impact. Other factors included a catheter laboratory breakdown at RBH (due for replacement at the end of August). Corrective action included new schedules to allow further private work to be undertaken; absorbing the overload of patients from waiting lists from surrounding Trusts; expanding workload at Harefield (e.g. new referrals from a Buckinghamshire DGH); appointing a Service Manager for the catheter lab at RBH who would lead the changes required as identified by Navigant.

The Board supported the plan for vigorous expenditure control.

In response to a query on the item of non-recovery of the Corporate Trustee's subsidy (page 2, last para.) the Director of Finance explained there is an amount of £2m (already accounted for in the I&E accounts) due to the Trust from the Charitable Fund. This is purely a timing issue and the item would be discussed at the meeting of the Corporate Trustee.

Mr Lambert also reported that on 62-day cancer waits, April had provided another month with no breaches of the standard. Discussions continued with Trusts which had referred 'breaches' in 2006/07, some of which have agreed

to take full responsibility for the breach. The Head of Performance confirmed that for the purposes of the Annual Health Check assessment, it is likely that the Trust will register as 'underachieved' but not 'failed' in this respect (but the relevant thresholds would not be confirmed until October when the final Annual Health Check ratings are published).

2007/77 MINUTES OF AUDIT & RISK COMMITTEE ON 15 MARCH 2007

The Board received the minutes of this meeting

Mrs Croft, who had chaired this meeting of the Audit & Risk Committee, said that a report of the meeting had been brought to a previous Board Meeting and therefore she had nothing to add.

2007/78 REPORT FROM AUDIT & RISK COMMITTEE ON 12 JUNE 2007

The Board received the report of this meeting.

Prof Tony Newman Taylor, Non-Executive Director, who had chaired the meeting, brought two items to the Board's attention: the rate of payroll errors had reduced since the service had come in-house; and issues relating to asset valuation had now been accepted by Deloitte as satisfactory.

2007/79 REPORT FROM FINANCE COMMITTEE MEETING 12 JUNE 2007

The Board received the report.

2007/80 APPROVAL OF ANNUAL ACCOUNTS FOR 2006/07 and LETTER OF REPRESENTATION

With reference to Salary and Pension entitlements of directors and senior managers (table after page 38), it was noted that Prof Sir Malcolm Green had been omitted from the list and had served as a Non-Executive Director during the prior period. The Director of Finance agreed to amend this.

The Board formally agreed that the Annual Accounts and Letter of Representation should be adopted.

2007/81 STATEMENT OF INTERNAL CONTROL

Prof Newman-Taylor reported that the statement had been approved by the Audit and Risk Committee.

The Statement was accepted by the Board

2007/82 TERMS OF REFERENCE OF AUDIT & RISK COMMITTEE

The Director of Finance & Performance drew attention to an amendment to the final paragraph commencing on page 4 to include in the Committee's formal remit to review the financial statements of the Charitable Fund on behalf of the Corporate Trustee.

The Board recommended an amendment to page 1, para 1 - sentence to read "Not less than 3 non-executive directors....." Mr Lambert agreed to effect this amendment. It was confirmed the quorum for a meeting is two Non-Executive Directors.

A further amendment on page 1, para 1, line 3, to delete the word "recent" was proposed.

APPOINTMENT OF CHAIR OF AUDIT & RISK COMMITTEE

The Chairman reported that Mr Hunting had agreed to be appointed Chair of the Audit and Risk Committee; he was proposed by the Chairman and seconded by the Deputy Chairman, and his appointment unanimously and gratefully agreed.

2007/83 REGISTER OF DIRECTORS' INTERESTS – JUNE 2007

The Register was noted by the Board.

2007/84 QUESTIONS AND COMMENTS FROM MEMBERS OF THE PUBLIC

Mr John Ross, on behalf of Heart of Harefield, applauded the Board on its proposed plan of action to address the potential shortfalls in funding. He hoped that Monitor would realise that granting FT status to the Trust would help it to address the situation. The Chairman agreed there was an element of circularity in the situation in that some of the problems could be addressed once Monitor's doubts had been erased and the Trust could gain the flexibility offered by becoming a foundation trust.

Mr Kenneth Appel, prospective FT governor, also wished to congratulate the Board on the way it was tackling the current problems, noting the amount of work undertaken by the management team and in particular, the Director of Finance & Performance. Mr Appel wished the Trust success in its endeavours.

Any Other Business

The Chairman noted that this would be the last Board meeting Mrs Elaine Schutte would be attending prior to her maternity leave. He thanked her for all her work and support to the Board and wished her well for the forthcoming birth. He welcomed Ms Carol-Ann Harvey who would now take on the role of Executive Assistant to the Chief Executive.

2007/85 NEXT MEETING

Wednesday 25 July 2007 at 2.00 p.m. in the Board Room, Royal Brompton Hospital.