

## Trust Board Meeting, 19<sup>th</sup> May 2006 Minutes

### Present:

**Non-Executive Directors:** Juggy Pandit (JP) (chairman)  
Andrew Havery (AH)  
Karin Norman (KN)  
Charles Wilson (CW)

**Executive Directors:** Heather Lawrence (HL), Chief Executive  
Mike Anderson (MA), Medical Director  
Lorraine Bewes (LB), Director of Finance and Information  
Edward Donald (ED), Director of Operations  
Maxine Foster (MFo), Director of Human Resources  
Alex Geddes (AG), Director of IM&T  
Elliot Howard-Jones, (EHJ), Interim Director of Strategy and  
Service Development  
Andrew MacCallum (AMC), Director of Nursing  
Catherine Mooney (CM), Director of Governance and Corporate  
Affairs

**In Attendance:** Fleur Hansen (FH), Foundation Trust Lead

### 1. GENERAL BUSINESS

#### 1.2 Apologies for Absence

Apologies were recorded from Marilyn Frampton and Professor Kitney.

#### 1.3 Declarations of Interest

No conflicts of interest were declared.

#### 1.4 Minutes of the Previous Meeting held 4<sup>th</sup> May 2006

The Board was asked to note the minutes and they would be reviewed in full at the 1<sup>st</sup> June Board meeting.

#### 1.5 Matters Arising

#### 1.6 CE Report

#### 1.7 Foundation Trust Update

These standing items were deferred to the 1<sup>st</sup> June Board meeting.

### 2. PERFORMANCE

#### 2.1 Finance Report

#### 2.2 Performance Report

These standing items were deferred to the 1<sup>st</sup> June Board meeting.

### 3. ITEMS FOR DECISION/APPROVAL

#### 3.1 Performance Management Strategy (brought forward in the meeting)

LB explained that the Strategy would be required by Monitor and that its development had been discussed at the recent Audit Committee meeting. LB pointed out that the

Trust had a very robust performance management system in place but this would need to develop in order to meet the new environment of a Foundation Trust. The Trust is currently externally driven in terms of targets but it will need to develop performance monitoring KPIs based on directorate owned targets and augmented to cover KPIs driven by patient choice and operational efficiency.

LB suggested that a key driver for change will be operating in a commercial environment and the Trust would need to build confidence in assessing and collecting information on its market position and cost against tariff.

LB suggested that reporting would need to change in line with *Intelligent Board* best practice guidance e.g. focus on ten key indicators and trends and develop the Board dashboard to reflect the risks identified in the SDS. The HiPPO system could also be expanded to collect all information, not just waiting lists and SLA variance positions and a system to identify key issues at directorate level would be developed.

HL extended the Board's congratulations to Nicolas Cabon for writing the strategy. CM suggested that an explicit link to the Annual Cycle should be included as well as a link to the Assurance Framework.

**Action: Annual Cycle and Assurance Framework to be included in the Performance Management Strategy.**

CM/FH

EJH also suggested making the link with the Annual Plan more explicit and ensuring the corporate objectives link straight through. LB suggested a formal process of reviewing activity plans should be set up.

Subject to the above amendment, the Performance Management Strategy was approved for submission.

### **3.6 Capacity Plan (brought forward in the meeting)**

LB noted that the Capacity Plan had been reviewed in the seminar and the three main assumptions for activity had been made:

1. underlying demographic growth;
2. changes in activity due to PCT initiatives; and
3. delivery of the directorate plans.

For the first, the Trust was not expecting significant changes in activity trends although the increase in A&E was noted. LB also explained that the Trust was not expecting a significant increase in the bed base due to expected reductions in length of stay.

For the second assumption, key changes were:

1. Demand management initiatives such as capping new to follow-up ratios, which will come in to effect in March 2007, will cause changes in activity.
2. Emergency admissions will be capped and the A&E growth will therefore be in paediatrics.
3. Burns increase due to becoming an Acute Burns Centre. This would result in a 3.8% p.a. increase in burns activity.

HL pointed out that due to the introduction of Payment by Results, the Trust would need to undertake more elective work. LB said that the updated position against tariff showed a £3m surplus for the Trust (excluding the report of HIV drugs).

### **3.5 Financial Model**

LB informed the Board that section 5.3.4 of the Service Development Strategy detailed the key assumptions made in the financial model to be submitted to Monitor. LB said

that the Trust's high capital base gave the Trust a high EBITDA margin, which provided a buffer.

For I&E LB pointed out the increase in MMF as the Trust moved from local price tariff. She noted that this was a significant income stream (£6.3m by 08/09) and a 5% reduction had been assumed as a result of the MFF renew. It was noted that the Trust would make a gain on PbR and that this was clawed back at a rate of 25% per annum which would result in an increase in income of £5.3m in 2007/08 and £3.3m in 2008/09.

Further assumptions highlighted by LB were the tariff inflator (6.5% for 2006/07 and 4.4% for each year after that), and the cost efficiency requirement (for which the national target for 2006/07 is 2.5%). LB also pointed out that a benefit of becoming a Foundation Trust is not being required to index assets annually, although there is a requirement to revalue after three years.

Further analysis was then undertaken of a potential tariff deflator with a 1% reduction having a significant impact on the Trust. In this scenario a viable alternative must be offered to PCTs rather than just increasing activity in an environment where significant cost savings are required. KN enquired as to whether we would see an increase in local flows. HL responded that the SHA had undertaken work in this area and there could be an increase of 40% in A&E but the Trust was unlikely to receive the entire amount.

LB then explained that tariffs are very volatile and the Board needed to be confident that they had stabilised before informing business decision. LB noted that at a specified level the overall uplift for 06/07 was 1.5% instead of 2.4% in the original SDS assumptions.

LB then detailed some assumptions of the worst case – income inflation at £6m as opposed to £8m in the base case and a CIP achievement of only 90% - factors that would contribute to the Trust being in deficit for 2008/09.

AH suggested that it would be useful to have a paper on the mitigation techniques employed to avoid the worst case scenarios.

**Action: Mitigation of worst case paper to be brought to the July 4<sup>th</sup> meeting.**

**LB**

### **3.1 Risk Management Strategy and Policy**

CM thanked KN and AH for their comments on the strategy and asked the Board to note the revised version that had been tabled at the meeting.

These changes were accepted and in addition HL asked for clarification on the risk scores (16 and above or 20 and above) to be brought to the Board and MA noted that Imperial College was soon to be not a part of the University of London so the name should be amended in appendix eight.

**Action: Analysis of previous minutes to determine risk scores to be brought to the Board.**

**FH**

Subject to these two points, the Risk Management Strategy and Policy was approved by the Board.

### **3.3 Risk and Performance Management Certification**

CM explained to the Board that as part of our assessment by Monitor, the Trust was required to submit a number of documents relating to risk and performance management. They are as follows:

- Risk Management Strategy and Policy
- Performance Management Strategy

- Statement of Internal Control for 2004/05
- Major Incident Policy
- Serious Untoward Incident Reporting Policy
- Policy And Procedure for Responding to, Reporting and Investigating Incidents
- Influenza Pandemic Contingency Plan
- Controls Assurance Standards for Risk Management, Governance and Financial Management 2004
- Auditors Local Evaluation (ALE) 2005/06
- Self Assessment for the Healthcare Standards
- CNST General and Maternity Assessment Reports
- RPST Assessment Report 2004
- A Trust Board Performance Report
- Healthcare Commission CHAI Performance Assessment
- Performance Management Reporting Procedure
- Board statement of no material change

The Board is required to sign a self-certification document confirming that they are satisfied that this evidence sufficiently meets the six risk and performance management requirements listed by Monitor. In order to do this CM, ran through the six requirements and explained how the above documents met these in full.

The Board was satisfied with the evidence presented and agreed that HL should sign off the self-certification document on behalf of the Board.

#### **2.4 Submission Update Timetable**

HL asked the Board to note the attached timetable which lists all the submissions due by Monitor including the extra information requests they have made. From this list AH noted that when submitting the Audit Committee minutes a cover note should be attached to explain the responsibilities of the Committee.

**Action: Cover note to be added to Audit Committee minutes.**

**CM/FH**

HL noted their request for the Data Quality External Audit report and suggested that a Board seminar should be held on this in the near future.

#### **4. ITEMS FOR ASSURANCE**

There were no items under this heading.

#### **5. ITEMS FOR NOTING**

There were no items under this heading.

#### **6. ITEMS FOR INFORMATION**

There were no items under this heading.

#### **7. QUESTIONS FROM MEMBERS OF THE PUBLIC**

There were no questions from the public.

#### **8. ANY OTHER BUSINESS**

##### **Foundation Trust External Audit**

HL asked the Board to note that the Trust was expecting the external auditors allocated by Monitor, KPMG, to commence work on June 12<sup>th</sup>. They will be housed in HL's office and HL will relocate to the Director of Strategy office in Management 1.

##### **Benefits of Foundation Trust Status**

JP asked the Board to note the list of benefits he had compiled and to pass any comments on to him.

**Action: Comments on benefits of FT status to be passed on to the chairman.**

**All Dir.**

**9. DATE OF THE NEXT MEETING**

The next meeting is scheduled for 6<sup>th</sup> July 2006.

**10. CONFIDENTIAL BUSINESS**

The Chairman proposed and the Trust Board resolved that the public be now excluded from the meeting because publicity would be prejudicial to the public interest by reason of the confidential nature of the business concluded in the second part of the agenda.