

**BOARD OF DIRECTORS**

**Meeting date: 27 September 2006**

**Agenda Item: 4**

**Paper: 06/93**

**Title: Minutes of the Additional Meeting held on 30 August 2006**

**Summary** This document records the items discussed at the last Board of Directors meeting.

**Action:** The Board is asked approve the Minutes as an accurate record of the matters arising.

**Prepared by: Sallie Rumbold**  
**Presented by: Andy Windross, Chairman**

**Additional Meeting of the Board of Directors  
Wednesday 30 August 2006**

**Present**

Andy Windross	-	Chairman
Nancy Hallett	-	Chief Executive
Tracey Fletcher	-	Director of Planning and Service Development
Pauline Brown	-	Director of Corporate Development
John Coakley	-	Medical Director
Andrew Panniker	-	Director of HR & Environment
Ian Luder	-	Non Executive Director
Jessica Crowe	-	Non Executive Director
Stephen Hay	-	Non Executive Director
Pete Walsh	-	Deputy Director of Finance
Sallie Rumbold	-	Minute taker

**1.0 Chairman's Welcome and Introduction**

Andy Windross, Chairman, opened the meeting and welcomed Stephen Hay to his first formal meeting as a NED. Andy Windross reported that Mr Hay had been appointed as Chair of the Audit Committee. Andy Windross also welcomed Peter Walsh, Deputy Director of Finance, attending on behalf of Caroline Clarke, Director of Finance.

**2.0 Apologies for Absence**

Apologies were received from, Professor Kate Costeloe, Non Executive Director, Eric Sorenson, Non Executive Director, Caroline Clarke, Director of Finance and Guy Young, Director of Nursing & Quality

**3.0 Declaration of interests regarding items on the agenda**

There were no declarations of interest.

**4.0 Minutes of the previous meeting held on 24<sup>th</sup> May 2006 and matters arising**

The minutes of the previous meeting were agreed as a true record. It was noted that Pauline Brown was not in attendance at the last meeting.

Actions from the previous meeting were updated as follows:

Agreed Actions from last meeting	Outcome
Summary of Department of Health Reform: Updated Commissioning Framework	October meeting
Foundation Status Consultation Response to East London and The City Mental Health NHS Trust	September meeting
Letter to Laura Sharpe, Chief Executive City and Hackney PCT, on data quality	This was no longer required as payment had been released
Year to date activity on Balanced Scorecard compared to previous year	Finance report September meeting
Summary of meeting with PCT Exec team	CEO report September meeting
FRP summary of achievements so far with a commentary on how the individual projects had changed, including corrective action, since the previous Board.	Complete
Alix Partners' report	Agenda item
Ratification of Consultant Radiologist	Completed

## **5.0 Trust Financial Position**

### **5.1 Financial Position**

Pete Walsh, Deputy Director of Finance, presented the Finance and Performance Report to 31 July 2006.

Overall the Trust had a year to date deficit of £718k against a planned deficit for the period of £1.2m. The improvement against the planned position was due to an increase in activity related income which was over plan by £670k. The forecast position for the year end was in line with plan, however this was based on the continuation of current trends and the delivery of savings detailed in the Financial Recovery Plan.

It was reported that all but two of the PCT contracts had now been agreed. The contracts with Barnet and Hammersmith PCTs were close to being finalised at the amounts detailed in the income figures.

The education and training levies for 2006/07 had yet to be announced though a 5% reduction had been assumed in the budget and a further 5% cut was now suspected.

Research and Developments budgets had been announced for 2006/07 and were in line with the budgeted income. Indicative levels for 2007/08 showed a 50% reduction which equated to £350k of lost income for the Trust. This would pose significant issues for the Trust and would require further discussion at a future Board meeting when more detail was available.

It was noted that the London Health Authority had announced it intended to reduce PCT allocations by a further amount which would put PCTs ability to meet contractual agreements at risk. City and Hackney PCT originally had £11m top sliced from their allocation and now stood to lose a further £4m. A meeting with the PCT was scheduled for later this week to discuss the potential impact for Homerton. It had been suggested that some areas of PbR would be suspended. If this was the case the PCT would not pay anything over and above last year's level of activity for some services. Andy Windross noted that the risk to the Trust was of concern.

Following the discussion at the July Board meeting Caroline Clarke reported that the PCT had agreed to re-instate the 5% penalty payment that they had been withholding since December, on the grounds that the Trust's data quality had improved.

It was noted that the latest figure for coding was at 97.5% which was just below the 98% level of coding completeness specified in the City and Hackney PCT contract.

It was reported that average pay costs were fairly stable. Andrew Panniker , Director of HR & Environment explained that agency costs had reduced and bank spending had increased but that the overall cost had remained static. There remained some Agenda for Change arrears to be paid in September and this would complete the outstanding payments.

The financial recovery programme would be discussed under a separate agenda item. However, it was noted that the slippage identified on the balanced scorecard was no longer accurate due to the timing of the board papers and currently the FRP was £353k below the planned savings.

Within the base budget for the year £720k of cost improvements had been identified. These were not monitored through the FRP and were reflected in the directorate income and expenditure positions. The schemes were reported to be broadly on track with two exceptions. Additional income in Pathology from an extended drugs of abuse service had not been realised, though work continued on a marketing plan for lab services, and there was a risk that the reduction in Mental Health contracted levels of service would not be matched with a reduction in unit cost.

The overall debtors position had increased slightly to £6.5m. The reinstatement of the 5% contract value by City and Hackney PCT would reduce this figure by £500k in August. The increase in debtors over 120 days was mainly accounted for by the HIV contract issue reported previously to the Board. A meeting was scheduled for 15 September 2006 to provide final resolution between the Trust and Newham and Tower Hamlets PCTs.

The Trust's risk rating had improved to 3. This had been driven by an improved liquidity position. The Trust was still planning a deficit of £1.08m.

Pete Walsh also drew the Boards' attention to the Balanced Scorecard information and explained that the level of coding was still a risk.

Tracey Fletcher, Director of Planning and Service Development, explained coding issues were relevant across all directorates but figures were improving. Peaks were often seen with annual leave of consultants. Tracy Fletcher's team were working to clear data quality errors to ensure accurate reflection of the numbers outstanding.

Tracy Fletcher also explained that the Board of Directors should note the balanced scorecard figures relevant to the 18 week target. Diagnostics were showing a maximum wait of 22 weeks for some tests but this was the longest booked appointment and the Board of Directors should be aware that nearly all diagnostic appointments were seen within eight weeks, including Endoscopy.

Ian Luder, Non Executive Director, asked about the debtors position and the maximum working capital. Pete Walsh confirmed that the biggest gap was between salaries being paid (on the last Wednesday of the month) and income being received (1<sup>st</sup> of the month). The gap was longer where the last Wednesday in was earlier in the month, such as in July.

Ian Luder commented that the table in paragraph 9 was helpful. He also requested total pay costs by month and directorate were presented. Pete Walsh would action this request.

Andrew Panniker commented that the improved position was mainly due to increased income and requested an update on directorate budget positions. This would be actioned by Caroline Clarke and Pete Walsh for a future Board of Directors meeting.

Ian Luder raised a question on paragraph 29. He noted that the cost of sickness absence was helpful and asked if the costs could be used to engage staff further. Nancy Hallett, Chief Executive, asked how often staff were actually replaced and how the figures were derived. Andrew Panniker explained that it was hoped to link Absence Line figures with whether or not a replacement had been ordered for future reporting.

Stephen Hay, Non Executive Director, enquired about the HIV contract dispute, highlighted in paragraph 25. Pete Walsh confirmed that the £1.1m was the full disputed amount and that the remainder had already been paid by the individual PCTs.

Nancy Hallett reported that Ruth Carnall had been appointed interim Chief Executive of NHS London. The political situation was still volatile in the NHS in London and any PCTs in surplus had been affected. City & Hackney PCT had reported that further cuts would be met from reserves but the Trust needed confirmation of this before anxiety around the potential impact on the Trust decreased. It was noted that the position next year was certain to be more difficult.

## **5.2 Monitor Meeting of 27 July and 16 August**

Nancy Hallett, Chief Executive, presented a short update paper. Ms Hallett reported that monthly monitoring and meetings continued.

It was noted that the meeting held on 27 July was relatively positive with the Trust able to report good progress. The Trust's engagement with Alix Partners was welcomed by Monitor. The meeting held on 16 August was conducted over the telephone by the Director of Finance with three representatives from Monitor. The key element of the meeting was the discussion on the Trust's proposal to increase the working capital facility to improve the liquidity position. The Monitor view was that the business case for increasing the facility was not strong enough and that this would need to be revisited in a future quarter.

The main issues for the Trust to address were progress with the Financial Recovery Plan (FRP) and the liquidity issue.

Monitor had requested to see the Alix Partners' report. The Board of Directors discussed this and agreed to send the report to Monitor a week in advance of the September meeting. An update report detailing progress with the FRP would accompany it.

Ian Luder emphasised that the engagement letter for Alix Partners for the next phase of work must include deliverables.

Ian Luder asked for the liquidity issues to be added to the next Monitor meeting agenda. Monitor had wanted the Trust to increase its borrowing facility to improve liquidity but had then declined to grant this increase. Ian Luder stressed that the Trust was only using up to £5m of a potential £11m overdraft so an increase seemed unnecessary. However, the Board understood that the liquidity affected the Trust's rating. Nancy Hallett reported that Monitor was reviewing

how this liquidity ratio was calculated and that this would be discussed at the September meeting.

### **5.3 Financial Recovery Plan**

This item was discussed under Reserved Business.

### **5.4 Alix Partner Report**

Nancy Hallett, Chief Executive, presented the Alix Partner report and noted that the report had been presented to the Executive Team and the Finance Committee.

Ms Hallett reported that the work and the report had been helpful in deconstructing the situation. The Executive Team had broadly accepted the findings of the report. Alix Partners took the view that until a project was complete it should not be relied upon to fully deliver. The Trust differed in that it took a pessimistic but realistic view which took into account understanding of the complexities of the organisation.

The report also noted that the Trust did not use diagnostic evidence to support project identification. Currently none of the projects identified by the Trust had failed and the necessity for diagnostic evidence over experience and good judgement had been the subject of much debate.

It was agreed that the report rightly identified a number of weaknesses in the Trust's management information systems and that these must be rapidly improved to support future decision making.

Ian Luder stressed that while the Alix Partners' report appeared quite negative the Board of Directors continued to support the approach being taken by the Trust and was content with the FRP management and plans at the current time. Andy Windross, Chairman, confirmed this view.

Ian Luder discussed that it was important that a break even position was reached in Q3 & 4 and also felt that Alix Partners should be used for the skills that the Trust did not possess.

Jessica Crowe, Non Executive Director, felt that the approach of Alix Partners was correct but understood the important balance for the Trust of making the necessary savings and maintaining clinical quality. Ms Fletcher reported that Alix Partners were working to help the Trust to predict weekly rather than monthly FRP positions.

## **5.5 Involvement of Alix partners in Financial Recovery Plan**

Andrew Panniker, Director of HR and Environment, tabled a paper regarding future planned work and explained that they would work with Pete Walsh and the finance team to develop improved management information. This would include looking at a contribution analysis of all areas and departments.

Alix Partners would then work with Tracy Fletcher and the FRP team on Phase 2 and 3 projects. It was noted that Alix Partners were attending the monthly FRP board meetings.

It was reported that the fees for Alix Partners were £100k for the 1<sup>st</sup> phase. Fees of £144k were outlined for the second phase including time charges and expenses.

Ian Luder queried the expenses of 25% and emphasised the importance of the engagement letter for phase 2 work in detailing the outturn expected.

## **5.6 Cerner and Connecting for Health Update**

This item was discussed under reserved business.

## **6.0 Any Other Business**

### **6.1 Monitor Annual Plan Risk Ratings**

The Board of Directors noted the report from Monitor on the Annual Plan.

### **6.2 Capital Programme – Planned Maintenance Works**

Andrew Panniker, Director of HR and Environment, outlined the plant and machinery replacement programme for 2006/07. There were insufficient funds to cover the necessary expenditure and therefore the building replacement work budget had been incorporated into the plant and machinery replacement programme. The remaining difference in funding would come from revenue streams. It was noted that the costs were excluding VAT.

### **6.3 Update on Chair Appointment**

Nancy Hallett reported that seven candidates were being considered for short-listing by the Nominations Committee which would meet on 7 September 2006. Interviews were planned for 11 October 2006 and a full panel had been constituted. It was agreed that following the Board meeting there would be a short discussion to plan the event for 4 October where candidates would have the opportunity to meet members of the Board.

### **6.4 Update on Trauma and Orthopaedic Services**

This item was discussed under reserved business.

### **6.5 Trust Office Move**

It was noted that the Trust Office was moving to new offices in the New Education Centre on 23/24 September 2006.

### **6.6 Parking Consultation**

The Trust had been informed of a residents parking consultation by Hackney Council. Nancy Hallett emphasised that this would have a hugely negative impact on the Trust if agreed. Andrew Panniker had drafted a response to the Council and agreed to talk to the Mayor about the risks to the Trust.

### **7.0 Dates of forthcoming meetings**

Wednesday 27 September 2006

Wednesday 25 October 2006

Wednesday 29 November – Away Day

<b>AGREED ACTIONS FOR NEXT MEETING</b>	<b>BY WHOM</b>
Total pay costs by month and directorate included in finance report	PW
Update on directorate budget positions	CC/PW
Discussion of Monitor's new liquidity ratio calculation	CC
Discussion with Mayor of Hackney on impact of parking consultation on the Trust	AP
Monthly variance on FRP projects to be represented by arrows and to include corrective action where appropriate	TF