

**MINUTES OF A MEETING OF THE MONITOR BOARD HELD ON WEDNESDAY
24 JUNE 2015 AT 10.00 AT WELLINGTON HOUSE, 133-155 WATERLOO ROAD,
LONDON SE1 8UG**

Present:

David Bennett, Chief Executive
Stephen Hay, Managing Director of Provider Regulation
Timothy Heymann, Non Executive Director
Heather Lawrence, Non Executive Director
Adrian Masters, Managing Director of Sector Development
Iain Osborne, Non Executive Director
Keith Palmer, Deputy Chairman, Non Executive Director (in the Chair)
Sigurd Reinton, Non Executive Director

In attendance:

Helen Buckingham, Chief of Staff
Miranda Carter, Executive Director of Provider Appraisal
Catherine Davies, Executive Director of Co-operation and Competition
Jason Dorsett, Finance, Reporting and Risk Director
Philippa Harding, Board Secretary
Fiona Knight, Executive Director of Organisational Transformation
Toby Lambert, Director of Pricing
Hugo Mascie-Taylor, Medical Director (Executive Director of Patient and Clinical Engagement)
Kate Moore, Executive Director of Legal Services
Peter Sinden, Chief Information Officer
Nick Ville, Project Director (Policy)
Chris Walters, Chief Economist

No members of the public were in attendance for the public session of the meeting.

Executive officers attended the meeting as detailed under specific agenda items below.

1. Welcome and apologies

- 1.1 Apologies for absence had been received from Joan Hanham (Chairman), Jeremy Mooney (Executive Director of Strategic Communications) and Adam Sewell-Jones (Executive Director of Provider Sustainability).

2. Declarations of interest

2.1 No interests were declared.

3. Minutes and matters arising from the meeting held on Thursday 28 May 2015 (BM/15/63)

3.1 The minutes of the Board meeting held on 28 May 2015 were approved and the matters arising noted.

3.2 It was noted that representatives of the Health and Social Care Information Centre would no longer be joining the Board later in the day, but would be invited to a future Board meeting.

4. Provider Appraisal Update (BM/15/64)

4.1 The Board considered the report which provided information about the work of the Provider Appraisal directorate.

4.2 It was noted that work was being undertaken to improve Monitor's approach to the risk rating of transactions. Board members discussed the move towards different models of care provision, which might be organised by the use of chains or buddying arrangements, rather than as a result of formal transactions. In light of these future possibilities, the Board requested further consideration of the regulatory approach that Monitor might take in this context.

ACTION: MC

4.3 Board members confirmed that they were content with the proposed changes to the marginal criteria which would result in an authorisation decision or transaction risk rating being referred to the Board. It was noted that a wide-spread review of the governance of such decisions would be undertaken upon the establishment of closer working by Monitor and the NHS Trust Development Authority (NHS TDA).

5. Executive Report (BM/15/65)

5.1 Board members considered the report which summarised key developments at Monitor since the Board meeting held on 28 May 2015.

5.2 The impact of the recent announcement that Monitor would be increasing its scrutiny of the financial performance of NHS foundation trusts (NHSFTs) was discussed. It was noted that the measures were being put into place to ensure that NHSFTs played their part in addressing the efficiency challenge set out by the Secretary of State for Health. Consideration was given in particular to the processes put in place for the review of any proposed consultancy contract worth more than £50,000.

5.3 The projects that had been launched to support the NHS Five Year Forward View (5YFV) were discussed. Board members emphasised the importance of maintaining an holistic view of the manner in which NHS providers and commissioners had to work together in order to ensure that the challenges set out in the 5YFV were met. Consideration was also given to the need for the alignment of funding systems in order to facilitate the development of new models of care. It was noted that, whilst reasonable progress had been made in this area, more was required.

6. Questions and comments from the public (oral item)

6.1 No members of the public were present.

7. Private session - resolution (oral item)

7.1 The Chair moved a resolution in order to move into private session to consider private items of business.

RESOLVED:

7.2 The Board resolved that representatives of the press and other members of the public should be excluded from the meeting, having regard to the confidential nature of the business to be transacted, publicity on which would be prejudicial to the public interest.

8. Chief Executive's Update (oral item)

8.1 David Bennett provided the Board with an oral update on the Smith Review and NHS Improving Quality.

8.2 The Board was provided with an oral update on the evolving role of the Care Quality Commission and discussed the implications of this.

8.3 Board members discussed the impact of recent announcements with regard to organisational change on members of staff at Monitor. The importance of regular briefings was emphasised.

9. Co-operation and Competition Update (BM/15/66(P))

9.1 Board members noted the report which provided information about significant developments with regard to the work of the Co-operation and Competition directorate since the meeting of the Board on 28 May 2015.

10. National Tariff

John Ivory (Senior Economist), Igor Popovich (Pricing Delivery Director), Andrew Rawstron (Senior Legal Adviser) and Simon Rogers (Legal Director) were in attendance for the consideration of this item.

(i) 2016/17 National Tariff (BM/15/70(i)(P))

- 10.1 The Board considered the report which set out a number of policy proposals to inform Monitor's final agreement of the 2016/17 National Tariff with NHS England. Engagement with the sector was planned with regard to these policy proposals, in advance of the statutory consultation required before the 2016/17 National Tariff could be agreed and implemented.
- 10.2 It was noted that, whilst the planned engagement with the sector would cover new policy proposals, it would also include some of the policies which had originally been due to be introduced in 2015/16. Consideration was given to the reasons for the rejection of the 2015/16 National Tariff.
- 10.3 In considering the efficiency factor that was to be used within the 2016/16 National Tariff, Board members noted it was important that the level at which this was set reinforced for providers in particular the scale of the efficiency gain that was needed. It was considered important that the efficiency factor emphasised that providers must make this a priority, whilst not asking for an efficiency gain which was seen as simply unachievable. Board members provided clarity with regard to what they considered may be an appropriate range for this efficiency factor. It was noted that the final level of the efficiency factor to be included in the 2016/16 was subject to agreement with NHS England.
- 10.4 The Board confirmed that it was content that the sector should be engaged on the other policy proposals set out in the paper.

(ii) Pricing method (BM/15/70(ii)(P))

- 10.5 Toby Lambert presented the report which set out the options available to Monitor in light of the fact that the majority of healthcare providers, calculated by share of supply, had objected to the proposed method for determining national process for 2015/16.
- 10.6 Since January 2015, 87% of providers (by number) had agreed to an Enhanced Tariff Option (ETO), a package which brought prices into line with the 2015/16 National Tariff proposals with some significant changes. However, 13% of providers including many in the Shelford Group, did not agree and remained on the 2014/15 prices (Default Tariff Rollover).
- 10.7 Having reviewed the options available to Monitor, the Board confirmed that it considered it appropriate that Monitor should continue to keep its position under review.

11. Pricing Update (BM/15/68(P))

- 11.1 The Board noted the report which provided an update on the key issues being addressed by the Pricing team in the past month.

12. Provider Regulation Update (BM/15/67(P))

- 12.1 The report which provided a summary of the NHSFTs subject to enforcement action was noted.

13. Annual Plan Review 2015/16 (BM/15/69(P))

Yin Shi (Head of Sector Reporting) joined the meeting for the consideration of this item.

- 13.1 Jason Dorsett introduced the paper which set out the findings from a top-down review of the 2015/16 final annual operational plans of the 151 licensed NHSFTs received on 14 May 2015. Focus was placed on the projected financial performances of the NHSFT sector and did not cover operational and regulatory performance, or findings from the review of individual NHSFTs' submissions or site visits.
- 13.2 It was noted that revenues were planned to grow by 0.4%. Planned growth in activity and in clinical revenue were modest compared to actual growth in 2014/15; however a projected fall in non-clinical revenue resulted in flat overall growth after stripping out one significant planned acquisition. Overall, the NHSFT sector planned deficit for 2015/16 was just under £1bn before the impact of the actions Monitor was taking.
- 13.3 The Board noted the report, the actions that were being taken in response to the aggregate provider financial forecast and any further measures that might be implemented. It was proposed that a Board workshop session be scheduled for the future to enable further thought to be given to these issues.

ACTION: JD

14. Any other business

- 14.1 No other business was raised.

Close