

Oxfordshire Clinical Commissioning Group
Board Meeting

Date of Meeting: 29 November 2016

Paper No: 16/87b

Title of Presentation: Finance Committee Minutes, 20 September 2016.

Is this paper for (delete as appropriate)

Discussion

Decision

Information

✓

Executive Summary

The Committee draws to the attention of Board members, the following:

Finance Report Month 5:

- No further material financial risks had arisen since the previous meeting, when the risks related to the Oxford University Hospitals NHS Foundation Trust (OUHFT) contract and Continuing Healthcare budget (funded nursing care price increase), had been identified. The forecast outturn has been held at £12.9m, which reflects the Financial Recovery Plan actions agreed at the Board's Extraordinary meeting in August. £3.4m of programme budgets have been returned to reserves and a large proportion of the contingency reserve, £5.1m, has been released into the forecast position, leaving the balance of £3.5m to mitigate further risks in-year.
- The over-performance on the OUHFT contract has fallen from its peak by £4m.
- There is some pressure on the London provider contracts, offset by the an underspend on Royal Berkshire and Nuffield Health contracts.
- The Section 75 Agreement with Oxfordshire County Council remains unsigned.
- Concerns over the size of the waiting list at OUHFT have been raised with OUHFT and the Committee will receive further information to provide assurance on its effective management within the NHS Constitution requirements.
- The Committee expressed concerns about the lack of agreement around Oxford Health contract baseline activity plan. A deadline of the end of October has been set.

Savings:

- The Committee received an update from the Savings Taskforce Group as part of the Financial Recovery (Savings) Plan but the detailed output is not expected until November 2016.

Value Based Decision-making Framework was approved and will be piloted.

Financial Implications of Paper:

As set out below.

Action Required:

The detailed work of the Finance Committee provides further assurance to the Board that OCCG is managing its finances effectively and in accordance with the financial plans and budgets approved by this Board.

Board members are asked to consider if they are receiving sufficient information in the Board's finance report and through the minutes of Committee meetings, to assure themselves in relation to OCCG's financial performance.

NHS Outcomes Framework Domains Supported (please delete tick as appropriate)

	Preventing People from Dying Prematurely
	Enhancing Quality of Life for People with Long Term Conditions
	Helping People to Recover from Episodes of Ill Health or Following Injury
	Ensuring that People have a Positive Experience of Care
	Treating and Caring for People in a Safe Environment and Protecting them from Avoidable harm

Equality Analysis completed (please delete tick and attach as appropriate)	Yes	No	Not applicable ✓
Outcome of Equality Analysis			

Author: Duncan Smith, Lay Member, Chair, Finance Committee.	Director Lead: Joe McManners, Clinical Chair.
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MINUTES:

Finance Committee

20 September 2016, 13:00 – 15.30

Conference Room A, Jubilee House

Present:	Mike Delaney (MD), Lay Member	
	Roger Dickinson (RD), Lay Vice Chair	David Smith (DS), Chief Executive
	Gareth Kenworthy (GK), Director of Finance	Duncan Smith (EDS), Lay Member for Finance – Chair
In attendance:	Ros Kenrick (RK)/Elena Thorne (ET) – Minutes Secretary	Jenny Simpson (JS), Deputy Director of Finance
	Lukasz Bohdan (LB), Head of Portfolio Management Office (Items 5&6)	
Apologies	Julie Anderson (JA), Clinical Director, South West Locality	Paul Park (PP), Deputy Clinical Chair
	Diane Hedges (DH), Chief Operating Officer and Deputy Chief Executive	

		Action
1.	Declarations of Interest There were no new declarations of interest.	
2.	Minutes of the Meeting held on 19 July 2016 The minutes had been previously agreed as an accurate record of the meeting, having been circulated to all members by email following the meeting. The agreed minutes had been made available for the Board at its meeting held on 28 July 2016. <i>With regard to the Action 16.51 it had been noted that the action had been assigned to the Chair of the Finance Committee to follow up.</i> Matters Arising The Action Tracker was reviewed and updated.	

3. Finance Report Month 5

The Committee formally received the Month 5 financial report. The Deputy Director of Finance reported that no further risks had arisen since the previous meeting when the risks related to the Oxford University Hospitals NHS Foundation Trust (OUHFT) contract and funded nursing care (FNC) price increase had been identified.

The forecast outturn has been held at £12.9m but this has only been achieved as a result of the Financial Recovery Plan (FRP) actions agreed at the Board's Extraordinary meeting on 25 August.

£3.4m of programme budgets have been returned to the contingency. A large proportion of the contingency budget, i.e. £5.1m was released into the forecast position, leaving the balance of £3.5m to mitigate the risks. It was expected that further funds would be returned to the contingency budget in future months as a result of FRP actions.

The following key points were noted in the Month 5 Financial Report:

- Oxford University Hospitals Foundation Trust (OUHFT) showed better performance compared to that in Months 3 and 4. The over-performance at Month 4 position was £321m compared to £325m at its peak.
- Ramsey Healthcare and SCAS were forecast to overperform at year end. The expected overperformance of Ramsey Healthcare was due to increased spinal activity in the second part of the year, while the overperformance for SCAS was mainly driven by "See and Treat" activity.
- London providers were starting to show pressure, however, overall these were offset by the underspend on Royal Berkshire FT and Nuffield Health,
- The increase in costs for Continuing Healthcare reflected the FNC price increase and showed £4.8m overspend. The Primary Care Co-Commissioning was showing an underspend of £534k against plan as a result of the FRP.
- £1.2m of the £1.9m budget reduction for Primary Care Development agreed in the FRP was processed in Month 5, £500k for prescribing and £400k from Health Informatics.

The Lay Vice Chair enquired about the possible reasons behind the lower level of activity at the Royal Berkshire FT. The level of underspend has reduced this month. There were no particular learning points that could be applied elsewhere. The Lay Member further noted the areas of high financial risk exposure and questioned whether there was any exposure to high-cost drugs with (OUHFT) similar to that experienced in the previous years. Both the Director of Finance and the

<p>Deputy confirmed the risk was mitigated by the block contract.</p> <p>Observations were made by the Lay Member that non-NHS providers continued to appear to be unpredictable and taking into account the issues of the previous years, the Lay Member questioned whether these risks were present and accounted for. Additionally, it was felt that Pooled Budgets was another area where problems could potentially arise as we moved through the year. Every effort had to be made to ensure those risk areas had mitigation actions in place.</p> <p>The Finance Committee discussed the status of negotiations with Oxfordshire County Council (OCC) re the Section 75 Agreement. The Director of Finance reminded the Finance Committee members of the fact that the new Agreement had not been approved by the Committee owing to the issues with governance and performance monitoring information. The discussions were ongoing with OCC, and the contribution levels had been agreed in principle. The most material changes of contributions related to £750k on disability and out-of-area treatment. The Director of Finance reiterated that the pressure to sign off the Section 75 was still present, however, his recommendation would be not to the Agreement until all outstanding issues had been addressed. A deadline of the end of October 2016 had been set, after which rapid escalation measures would be needed if no resolution had been reached.</p> <p>Committee members highlighted that the range of actions taken by OCCG (e.g. use of transformation reserve, etc) had all contributed to OCCG continued ability to protect front line services ; however further actions could be required (e.g. Savings Plan initiatives).</p> <p>The Chairman of the Committee enquired about the situation with the Care Packages budget, noting that the budget was previously underspent due to recruitment challenges, which impacted on the availability of home treatment, with a knock-on impact on hospital discharge. It had been mentioned that it would be beneficial to review the baseline key metrics and planned activity again and see if the activity levels year-on-year had gone up. Action 16.54: Director of Finance to provide data on key metrics for Care Packages.</p> <p>The Director of Finance provided an update on the work being done on funded nursing care expenditure, including undertaking a review of the FNC assessment checklist.</p> <p>The Chief Executive remarked on the figure of £54k overspent on the Ramsay Healthcare with a projected outturn of £631k by the end of the year. The Deputy Director of Finance confirmed that the expectation was based on the increase of spinal activity in the second part of the year.</p> <p>The Director of Finance had picked up the issues with waiting lists management at OUHFT with Paul Brennan, their Chief Operating Officer. Although OCCG had agreed a 'block' contract, there was still a</p>	<p>GK</p>
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	<p>requirement for OUHFT to manage against national targets and not allow waiting times to drift out beyond the level of April 2017, The Director of Finance noted that the holiday period in the summer months coupled with the doctors' strike were contributing factors to the issues of waiting list management. Effective contingency plans were needed to address them and it was the Committees expectation that OUHFT would be managing any additional activity within the block in-year, not leaving OCCG with a pressure in 2017/18.</p> <p>The forecast outturn of £588k in relation to SCAS Emergency Patient Transport was due to contract negotiations following NHS England (NHSE) intervention.</p> <p>Action 16.55: Director of Finance to report on the level of activities for SCAS Emergency Patient Transport item.</p> <p>The Chairman highlighted the month-on-month comparison for OUHFT performance and noted that if more work was coming into the independent sector, there was a need to monitor the elective activity based on the whole system rather than just the OUHFT contract.</p> <p>The Chief Executive remarked that there was a need to be more explicit about comparing the levels of planned and actual activities levels , and the requirement to improve the analysis be adding the previous year's figure for comparison purposes. Action: 16.56: The Finance Committee members to get better understanding on planned and actual activity levels for POD.</p> <p>A question was asked in relation to the Learning Disabilities item within the Risk Register (which reflected a potentially high risk going forward) in relation to the 'Big Plan' assurance and mitigating actions in place to deal with unexpected problems. It was reported by the Director of Finance that the contract was being negotiated with Oxfordshire County Council, which would be followed by another round of negotiations with Oxford Heath. Action 16.57: Discuss Learning Disabilities with Sula Wiltshire</p> <p>The Committee raised anxiety about the lack of agreement around Oxford Health contract baseline activity plan. The Director of Finance explained about the working group created to develop the contract structure, I service specifications, baseline activity, costings information requirements and performing the final stock-taking.</p> <p>The Committee resolved to note the report.</p>	<p>GK</p> <p>GK</p> <p>DS/GK</p>
4.	<p>Savings update</p> <p>The Director of Finance provided an update on the Savings Taskforce Group as part of the Financial Recovery (Savings) Plan. The Group's inaugural meeting took place on 15 September 2016, during which the Group's Terms of Reference had been agreed.</p> <p>The Head of Portfolio Management Office (PMO) reported that a total of</p>	

	<p>£3,285,248 of virements were completed in Month 5.</p> <p>It was proposed that the Group's meetings would take place on a weekly basis. The financial impact from the Group's work would not be likely to feed through until the following financial year.</p> <p>The CCG Executive would review progress against the delivery of the Recovery Plan actions on 27 September. The Savings Taskforce would subsequently report to the OCCG Board on more detailed proposals in November 2016.</p> <p>The Committee resolved to note the report.</p> <p>Action 16.58: Provide notes to the Finance Committee members related to the review process by Savings Taskforce</p>	<p>LB</p>
<p>5.</p>	<p>Value Based Decision-making Framework</p> <p>The Head of Portfolio Management Office (PMO) presented Paper 5 and outlined the main changes.</p> <p>The Chief Executive wanted more assurance in relation to the practical application of the framework. The Head of PMO responded that the framework was designed to support OCCG to compare the return on a range of different and competing investment options</p> <p>It had been agreed that the next stage would be to pick a project and test it against the framework model. It was felt that while being rigorous, the model needed to allow for flexibility and ability to get things done thoroughly. Furthermore, it was suggested that the definition of 'value' should be embedded into the decision-making scheme.</p> <p>A observation from the Lay Member, was the potential challenge with regard to the framework's application to alternative investments and the difficulty in comparing and contrasting those. Concerns were expressed that a 'value' score for an investment might not always be the final basis of a decision and professional judgement should always be applied.</p> <p>The framework would be piloted with a number of diverse projects. The next stage, following a successful pilot, would be training coaching staff to use the Framework..</p> <p>The Committee resolved to approve the Value-Based Decision-Making Framework.</p> <p>Action 16.59: Prepare 2 simple case studies to illustrate the practical application of the framework model.</p>	<p>LB</p>
<p>6.</p>	<p>Lead Provider Framework briefing</p> <p>The Director of Finance reported on the recommendation across the Thames Valley CCGs to run with a single lead contract for a Commissioning Support Unit (CSU).</p> <p>The Deputy Director of Finance noted that procurement process was</p>	

likely to involve a significant amount of work in December 2016 – January 2017 in evaluation of tenders.

It had been confirmed that the Framework would also cover the Group's STP footprint. Concerns were expressed by the Lay Vice Chair that bundling all the CSU services into one contract might not offer the best value for money, especially in regard to business intelligence and IT. The Director of Finance confirmed that the 'bundling' approach was based on an assumption that a better price would be secured if the value of the procurement was maximised. The management of the procurement process was another area highlighted by the Lay Member. Questions were raised about available skills and resources in OCCG to design and run the procurement process, if the CSU services was the subject of the procurement process. The Director of Finance confirmed that the procurement would be supported by a national team

The Committee members discussed the importance of being clear about final procurement decision-making. It had been suggested that a group of Chief Finance Officers (CFOs) would make a collective final recommendation to the participating organisations. The Committee resolved that further clarity was required in relation to the approval of final contract award.

Action 16.60: Tighten the governance structure around procurement decision-making.

The Lay Member further noted that the Framework would be an important decision-making mechanism. It was therefore essential to obtain the best fit and value for the existing spend and apply investment mindset in that respect.

The Deputy Director of Finance briefed the members on the work being done on the procurement side, and assured them that a rigorous review was taking place especially of the business intelligence specification.

The Lay Member pointed out that potential service provider should be treated more like a strategic partner who should be committing for a contract period to deliver continuous improvement and innovation.

The Chief Executive stressed the importance of flexibility within a contract to allow for changes during the contract period through the use of contract variations.

The procurement framework would include the Thames Valley CCGs, possibly extending to Frimley Park. A conflict of interest was declared by the Chairman of the Finance Committee due to his role as the Chairman of the Oversight Committee for the Frimley and Wexham Park merger.

The Committee resolved to note the report and asked for assurances in relation to the re-procurement process, flexibility to be built into the contract to be able to adapt to the changing commissioning landscapes.

**Catherine
Mountford
/GK**

7.	<p>Contracts update</p> <p>The Director of Finance updated on the work in developing commissioning intentions. The relevant paper was due to go to the Board meeting on 29 September 2016, requesting the Board’s approval for key commissioning intentions. The key element was the form of contracts with the two main providers.</p> <p>The Chief Executive updated the Committee on the status of negotiations with the main providers in relation to a ‘Lead’ provider contract.</p> <p>Action 16.61: Circulate papers to Finance Committee members on the contract negotiation process.</p> <p>A further update would be provided at the Board meeting on 29 September.</p>	ET
8.	<p>Pooled Budgets update</p> <p>This item was discussed at Item 3.</p>	
9.	<p>Financial Risk Register</p> <p>The Committee noted the main recommendation around the register of increasing the risk around the financial position.</p> <p>Risk 760, associated with demand for social care services was brought to the attention of the members by the Lay Member. The risk was associated with higher costs, and questions were raised about assurances on the correct level of risk and its broader implications on performance targets.</p> <p>Risk 785: Townlands Hospital Project was brought up by the Lay Vice Chair, who questioned whether the risk of financial exposure was reducing and any solutions had been put into place. The Director of Finance updated on the progress of discussions with Oxford Health Foundation Trust (OHFT); agreement in principle had been reached. NHS Property Services (NHSPS) were commissioned to convert the first floor space with an estimated completion time in November 2016. Work was also being done on complete the staffing of the new services.</p>	
10.	<p>Approval of procurement decisions</p> <p>There were no procurement decisions to report, but the Director of Finance informed the Committee that there had been a decision to move in negotiation with the preferred provider in relation to the 111 service procurement. The Committee will be asked to approve the award of the new contract.</p> <p>Procurement of external auditors was ongoing.</p> <p>Procurement of internal auditors would begin soon.</p> <p>The Lead Provider Framework procurement of the CSU services was</p>	

	ongoing.	
11.	<p>Work Plan</p> <p>Items for the next meeting would include:</p> <ul style="list-style-type: none"> • The FRP/Savings Plan • The Operational Plan • The Director of Finance will provide an update on the situation with the 'lead' provider framework, supply chain management and the discussions with OUHFT in relation to elective activity management with the independent sector. • Commissioning Intentions. • Learning Disability – if required. • Strategic approach demonstrating value for money (Director of Finance). • Waiting list management. 	
12.	<p>Any Other Business</p> <p>There being no other business, the meeting was closed.</p>	
13.	<p>Date of Next Meeting</p> <p>The next meeting was scheduled for 22 November 2016, 13:00 -15:30, Conference Room B, Jubilee House.</p>	