Minutes of the AWP NHS Finance and Planning Committee Meeting

Friday 21st November 2014, 0930-1230

Seminar Room 3, Jenner House, Chippenham

These Minutes are presented for **Approval**

Members Present

Lee O'Bryan (Chair) – Non-Executive Director

Tony Gallagher (TG) - Chairman

Kris Dominy (KD) – Executive Director of Operations

Sue Hall (SH) – Executive Director of Resources

Staff In attendance

Kerry Geoghegan – Head of Business Planning

Jenny MacDonald – Managing Director of South Gloucestershire

Pippa Ross-Smith – Deputy Director of Finance

Fiona Bell – Programme Management Office

Malcolm Sinclair – Head of Strategy and Business Development

Peter Wilson - Head of Business Development

Paula May – Managing Director of Swindon

Sarah Branton – Interim Managing Director for Bristol

Alexander Lauder-Bliss – Governance Support Office

Shane Dineen – Director of Business Development, Capita Symonds

Sarah Burton – Ubiqus (Notes)

Action

FP/14/096 – Apologies

1. Apologies were received and accepted from:

Graham Coxell – Non-Executive Director

Barry Dennington – Non-Executive Director

Emma Roberts – Company Secretary

1. The Chair was disappointed that the last meeting had been distracted from the Committee's remit of reviewing monthly performance, assuring year-end figures, business monitoring and planning. KD commented that it could have been better

supported by having more focused papers. TG wanted assurance that all that the Committee papers had gained management backing. It was noted that the number of participants in this meeting had reduced since the previous, allowing all to contribute in representing their locality.

2. The Chair informed the Committee that most meetings were structured according to a detailed review of a specific locality, but this meeting centred on a review of end-of-year performance instead.

FP/14/097 - Declarations of Interest

1. In accordance with AWP Standing Orders (s7.1) members present were asked to declare any conflicts of interest with items on the Committee Agenda.
2. None were declared.

FP/14/098 - Minutes/Summary of the meeting on 24 October 2014

1. The minutes of the last meeting were received and **approved** as accurate.

FP/14/099 - Matters Arising from the Previous meeting

1. The Committee considered the Matters Arising and **resolved** to note progress and remove items completed.

FP/14/100 – Month 7 Report

1. SH gave the highlights from the Mth 7 finance report which shows an increase in spend on pay. The Salaries budget was not expected to be met here, mainly because of use of temporary staff. She noted that there is an increase in the use of agency staff at weekends. This is being investigated and may be due to when agency staff is available rather than poor practice in rostering. Out-of-area (OOA) placements have not reduced. .The forecast assumed that all payments for OOA from CCGs would be received.
2. Further highlights included:

   2.1. South Gloucestershire had written to the trust raising concerns that if the level of OOA for them stays they will not afford to pay their out-of-area charges. The Trust had forecast their charge for the year is £1.3 million. PRS added that the Trust had not seen a charge of this extent before. SH confirmed that South Glos was contractually obliged to meet these charges, though in practice, some negotiation was likely. She offered to look into this point in more detail. - ACTION **SH**

   2.2. Another area of concern was the IAPT contracts. The forecast had deteriorated £200,000 from previous months, primarily from Swindon. PM expected to reduce this by an additional £146,000 for the year, pending decisions being made on long-term project costs. Further discussion of this was tabled for later in the meeting.

   2.3. SH indicated some further deterioration in the forecast, as shown in her report. The gap now calculated was £1.4 million, partly due to the above-mentioned IAPT contracts, as well as double-running costs in new rostering software and phone systems. Other projects were being analysed for possible areas of saving or where payments could be delayed. SH was also ensuring that all CQC work would be capitalised and not paid through revenue. There had been some changes to the rollout of new Bristol services, specifically recovery navigator models. SB was conducting a detailed review of the situation there. The reserve contingency would alleviate £750,000.

2.4. The current overspend was around £300,000 a month, excluding planned mitigations. SH added that this reflected a composite of the detailed locality reports. Some of these were distributed to participants as examples, with each line of detail explained. PRS explained that the management accountant engaged in discussions with their cost centre and accountants about their budgets and how the spread should be presented. TG found the report overly detailed. He suggested it might be preferable to utilise the contingency now and eliminate it, and pointed out that staff costs had not changed since the beginning of the year, despite safer staffing measures and pay increases.

2.5. SH reported that staff skill requirements had changed since the previous year. The Chair enquired why CIP and other savings had not mitigated additional hires. TG characterised this spend and their progress on it as flat-lining. He also commented that the figures reflected a mechanical process, rather than any qualitative narrative. The Chair suggested that a diagrammatic portrayal of the effects of various measures might be more useful. - ACTION **PRS**

3. The Chair stated that the group had to be assured of their forecast before releasing the contingency. TG questioned whether any additional funds could be released. SH reported it as too challenging to secure £750,000, additional to the contingency sum. The Chair clarified that the shortfall was £1.4 million, only half of which came from the contingency. The forecast accrued for current staffing pressures, such as those around agency spend. KD was currently meeting with ward managers to check on their application of staffing policy, and JM expected some more challenging times ahead, particularly related to Christmas coverage.

4. The Chair therefore summarised that the forecast reflected a worst-case scenario, with a £1.4 million shortfall. On top of the pre-allocated contingency, some monies had recently been released from Swindon and Bristol. TG asked for the executive summary to report to this Committee approving the release of the contingency. SH would include this as a recommendation. **SH**

5. The Chair stated that confirmation was required of no further deteriorations in the forecast. TG noted that past finance reports showed a trend of the shortfall growing every month. He asked if there was a risk of this continuing. SH attributed this deterioration to the IAPT and IT issues, which had now been resolved. TG suggested that other problems might emerge elsewhere. JM added that the management accountants would accrue for pending and unexpected costs. She was therefore confident that the forecast would not deteriorate further, and PM echoed this view. The Chair emphasised the accountability implications of maintaining this forecast. SH agreed that the current forecast reflected the worst-case scenario; however, by its nature, no forecast could be guaranteed.

6. SB was asked about Bristol inpatient services. She had held some meetings recently to better understand the positions in some of the individual wards. Some

of the higher-spending of these needed to reduce their recruitment spend, so the situation was improving, but more work was required to clarify the position.

7. The Chair summarised the outcomes of this item, the first of which was to confirm the legal position for out-of-area payments with the CCGs. The second was to produce a narrative for the changing staff costs. The third was to gain as much certainty for the forecasts as possible, including stressing each locality's targets to the MDs. This would be brought back to the table and tracked in successive Committee meetings. KD advised inviting the MDs back to the Committee for this discussion. - ACTION **MDs**

8. A fourth outcome was to release the £700,000 contingency, and the next was to quantify the opportunity bullet points. TG also suggested freezing the bottom lines to compare this month against next month's presentation. **PRS**

9. KD commented on the need to conclude the Bristol review ahead of next month's meeting and PM mentioned that the LIFT overspend at Swindon had reduced, with more money expected through the release of temporary contracts. KD did not think Swindon ought to be treated any differently in this regard. It was emphasised that care ought to be taken over the Commissioner relationship.

10. SH continued to explain the significant variances on the balance sheet. Much of these related to out-of-area invoices and the Bristol transition spends. She also flagged that many CQC invoices were expected around November and December, which would affect the cash figure.

11. On receivables, SH believed Wiltshire had been resolved, although not yet paid. Swindon was still outstanding. TG requested a separate report on this issue to be submitted between meetings. - ACTION **PRS**

12. In the investment planning group, the capital plan had been reprioritised to allow for the additional CQC works, and the disposals scheduled for the next two years ahead. SH confirmed that this plan reflected the outcome of discussions with IT. A new site was yet to be identified for Lot 2 of the Bristol tender, so the proposal was to use Brentry as an interim solution. It would therefore be retained and not disposed. The expected income from the sale was £680,000, not £1.7 million as previously stated. The figure had been higher in the original plan because of the difference between market and book values. The revised figure incorporated impairments. The Chair requested a short note to clarify the status of Brentry, different assumptions, timings and the relevant audit trail. In future reports, TG asked if such changed assumptions could be highlighted. **PRS**

13. A request had been submitted to use some of the IT contingency funds for junior doctors' laptops, and this had been approved.

14. The risk rating of 4.1 remained the same.

15. The Chair noted there was no bottom line change, and asked if this was standard practice. SH believed it was; the primary requirement was visibility on changes to the individual lines.

16. Concluding, the Chair commented that he had found it helpful to have discussed the financial report in greater depth.

17. PRS presented the PFI report, and described how the Trust paid the provider an annual unitary payment sum which eventually meant the trust acquires its premises as an asset, as if new. The accounting treatment for PFIs changed in 2006 when they were no longer an off-balance-sheet asset. The trust capitalised the lifecycle payments that are used to maintain the steady-state value of these buildings and propose that the financial model that was signed up to in the original contract is used as the guide for the annual capitalisation amount. PRS was in discussions with the auditors to ensure that this rationale was understood.
18. TG recapped earlier concerns that the provider was not performing the work for which it was being paid, and the practical consideration that deteriorating facilities would affect services. He asked if these concerns had been addressed. PRS stated that Semperian was contractually obliged to spend lifecycle monies over the period of the contract, not to match the financial schedule. For example, all their spending could be made in the last month. However, they were obliged to ensure that all buildings were fit for purpose every day. There were mechanisms in place to monitor and report the conditions of premises. TG therefore summarised that the contract should ensure premises were operational without impacting the P&L through deterioration.
19. In certain areas, there might be a need for greater input in what constituted a sufficient standard of materials. Semperian seemed to be demonstrating greater understanding of the CQC's role in assessment.
20. The Committee resolved to **APPROVE** the M7 adjustments and **NOTE** the Capital Programme.

FP/14/101 – Month 7 CIPS Report

1. FB gave a summary of the current position. It showed progress of 56% of the way through the yearly plan, with a minor variation of £22,000 a month in the year to date. The year-to-date performance was 0.7%, with all members reporting full delivery.
2. FB reported that the savings schemes were delivering, but money was not physically being extracted from those budgets. Some more work was required to recognise those reductions, and SH commented that additional clarity showing delivery against plan would assist.
3. Looking ahead to 2015-16, FB was concerned about maintaining interest levels with the scheme. Lee O'Brian asked if next month's report could include additional detail on the planning process, including CIP. He anticipated the MDs attending the next meeting to contribute helpfully here. - ACTION **FB**
4. The CCGs were reporting that they could not invest anything more in mental health this year, but SH recognised the need to push back against this assertion. Assuring the requisite information was shared among the MDs would help in meeting these goals. Tony Gallagher also wanted be provided with a visual overview of their CIP progress and cost savings.
5. The Committee resolved to **NOTE** the report.
6. The Chair requested a brief verbal update on Bristol from the acting MD Sarah

Branton (SB).

7. SB highlighted that there had been a change to the partnership director and the transition had been updated. The Commissioner appeared to be more relaxed about the pace of that change now. KD reviewed some estates issues and plans for rationalisation, with refocus on Lot 1 delivery. The Bristol team had also discussed governance issues around raising items to board and subcontracting arrangements in Lot 2.
8. The Chair asked for views from the ground in Bristol. SB was spending some time with the crisis team to determine this for herself. There was some concern around recruitment of recovery navigators, and a meeting was scheduled to discuss time pressures around Lot 2.
9. TG reported a positive outcome from his meeting with the Chair of the Bristol CCG and feedback from GPs. He was also planning to meet the Chair of Bristol Second Step, and he had received a complimentary letter from Bristol's early intervention team. SB was also enthused by the way in which staff had responded to the Care Coordinator role.

FP/14/104 – Estates Strategy Presentation

1. Shane Dineen (SD) from Capita provided a presentation to the Committee on the Estates Strategy.
2. SD was reporting on Capita's role to help AWP create a strategic master plan around estates use, aligned against clinical delivery and set against a framework that would achieve financial savings and maximise efficiency. The principals of this were safety and sustainability, financial wellbeing, and local and national delivery objectives. Capita also sought to set a framework for disposals, provide transparency for optimisation and retention of buildings, support flexible use and partnership in the estate, and to provide evidence of best value, including alignment with other strategic imperatives of the Trust.
3. SD reported that 96% of the estate was of condition B, which was good quality, and 3% was of condition C: Lansdown and Charter House. CQC quality outcomes remained a challenge within patient services; however estate costs were in the median range compared to other similar Trusts. Of concern instead was under-utilisation, where Capita and the Trust were suggesting disposal or relocation.
4. The Chair queried if Shane Dineen thus detected opportunities in the portfolio. The benchmarks were good, but the question was more about value for money and future improvements. A more opportunistic approach could be taken to project decision-making, such as Southmead Hospital turning wards into catering facilities. All such options needed to be considered according to their effect on the whole, however.
5. The total floor area was 90,299 square metres, with an occupancy cost of £22.5 million, which was 11.5% of the turnover. NHS Trusts benchmarked at 7-10%. 33% of the estate was managed through PFIs. Sue Hall wished to understand how this Trust could come closer to 7%. SD saw a process of continuous improvement beginning from here. He pointed out that the PFI costs **SH**

were ring-fenced, although the group could try to 'sweat the asset' more. Acute Trusts tended to have a higher proportion of their estate managed as a PFI, but AWP compared similarly to its peers. - ACTION

6. Estate management costs were £2.9 million, which was 9% of total occupancy, again a good comparable. TG queried what was included in this measure, and SD replied that it comprised estate managers and subcontractors, i.e. staff costs. TG expected to see the standard below 5%, but SD replied that it tended to be higher for specialist buildings. TG was concerned that the NHS was far from any comparable sectors according to this measure.
7. Overall, the rental terms tended to be good, but maintenance costs were high. There were some higher-rent properties compared to other Trusts, which tended to reflect all-in capped costs, where landlords had integrated risk into their charges. Such properties tended to be GP practices too.
8. Other considerations within the strategy were IT, mobile working, paper records, and training and development facilities, all of which were targets to help reduce space and cost. Capita had suggested the implementation of an estates delivery framework, including an improved governance structure for clearer reporting processes. The estates strategy should be reported to the board and subject to annual amendments, with a single shared database for estates information, including agreed long-term plans. Scoring mechanisms could be applied to that annual board report.
9. The summary of key priorities included a paperless medical record system, installing the estates governance and reporting framework, and disposing of under-utilised properties. Capita had also planned changes for the next three to five years, such as community and locality working, and adapting inpatient ward areas. Each locality should develop a three-year plan, including capacity and commissioner priorities. Estates should work on PFI optimisation, reduce and re-negotiate leasehold premises, and avoids seeing localities in isolation, but as part of a proactive overall approach.
10. SD targeted a 6.5% reduction in occupancy costs, a 3.6% reduction in operational transformation, a 1.1% saving of rentals and 16.2% from disposals, over the next five to ten years. He had provided some detail behind how these targets would be achieved, and emphasised that this had to come from the bottom up, supported by a mind-set change.
11. SH had discussed this subject with the executive leadership team and would be circulating a strategy document to the board. She commented that their estates approach had been opportunistic before; now it was becoming strategic. Capita's approach included a consideration of delivering clinically safe services and operational elements, such as patient records. There was also advice on how to optimise key buildings. TG supported the process approach, but believed more discussion was needed on what could be done locally and what centrally.
12. FB queried whether the saving plans incorporated investment costs. SD replied that the required investment was neutral; most of these changes did not require extra money. Another factor to include in the assumptions was the possibility of irreducible minimums in certain estates. SD explained that optimisation

calculations assumed disposing of currently vacant estate, before considering the 80% optimisation of that which remained. There were also ambitions to change ways of working, through mobile working and the IT strategy, which would contribute further savings.

13. Capita recommended underpinning this strategy through seven work streams. These needed to be prioritised and better understood before rolling the strategy out Trust-wide. Next steps were to distribute the strategy document then present it to the board in December, and to senior management likewise. - ACTION **SH**

14. The Committee resolved to **NOTE** the report.

FP/14/102 – Quality and Performance Report

1. KD reported against the relevant IQ and Monitor risk assessment indicators. A couple had moved to amber, one of which related to data entry in Bristol and another also connected to that centre. There were issues with delayed transfers of care. Timeliness of the reviews of care clusters had also been noted as amber, Bristol again causing the discrepancy.

2. It was raised that more detail would be useful on bed pressures. This had been broken down for each locality, but this was not having the desired impact in resolving some of the issues. The lead commissioner had challenged this failing recently, requesting more detail on mitigation measures. Plans were underway on patient locality repatriation. Some challenges were expected due to the function of the beds available, but numbers were still above expectations. The number of patients admitted out of Trust was at 30, but measures were in place to address this. Pressure remained within each locality to continue with their CIP tracking process. Swindon was updating this daily. The chief officers were planning to report back their response to the situation soon.

3. Greater detail was requested about safer staffing. An occupancy table had been provided that showed the adult acute inpatient situation as unchanged; later life was reported at 96.5%; PQ was 100%; and rehabilitation had risen slightly. The total cost for safer staffing was also stated. KD commented that meeting the occupancy goals would help to meet safer staffing numbers. 17 of the 39 wards did not require extra staffing, as additional skills had been incorporated.

4. The Chair confirmed that the £1.8 million safer staffing allocation was currently being spent. Some negotiation on the block contract definitions was required.

5. KD continued by giving her view that the risks and challenges today were financial. Teams were now familiar with their recruitment and flexible capacity requirements. She gave the staff non-coverage goal of 22%, which TG queried. KD explained that it reflected absences for learning and development, but TG was concerned that it also reflected an additional cost. SH was unsure if that figure had been agreed by the board. KD believed the on-going review into training and development could help inform this process. There was the potential for a more compacted training regime. Besides training, the 22% figure contained absence for annual leave, sickness and maternity.

6. The Chair questioned how to raise the additional cost of staff absence with the board. TG suggested that the increase might be shown to imply better staff

efficiency. JM raised the possibility of e-learning and other training options that did not require an increase in staff absences.

7. KD asked the Committee to note that staff costs should be increased to accommodate the safer staffing goals. She had asked the commissioners to enter into a debate about this and the higher occupancy rates. The commissioners recognised the pressure in this area, but might not be in a position to meet it through financial support.
8. There was a discussion in the last meeting about 'specialing'. JM enquired if this had been raised any further with the commissioners. It was agreed to explore the matter again.
9. TG asked for action plans that would address over-staffing, matching those for under-staffing. He also suggested the recommendation around the 22% figure should be deferred, reflecting the above discussion. KD was also supporting the intention to continue to move towards 85% occupancy, and intended to make a case to the commissioners to block-purchase capacity. TG requested a quick update on the bed situation.
10. The Committee resolved to **NOTE** the report.

FP/14/103 – Strategy and Growth

1. The meeting was overrunning, prompting the Chair to prioritise the remaining items on the agenda. The Committee decided to truncate discussion on the strategy and growth process.
2. MS wished to note some immediate issues, however: the first concerned the timetables falling behind plan; and the second was that North Somerset believed that costs for their delivery unit were too high to submit a bit. TG found the latter unacceptable, as it undermined the ambitions of the Trust. SH clarified that the figures given were just clinical and contained no overheads. This indicated to TG that the cost base was too high, indicating a major problem and a threat to all future bids. SH responded to maintain the current cost envelope and work more closely with the commissioners. More discussion was required outside of this meeting.
3. MS highlighted that the size of the gap in the contract was £2.6 million against £1.8 million. Conversations to resolve this must continue. There were possibilities of removing all drugs and alcohol from the plans, which would have major implications elsewhere.
4. The Chair raised an additional consideration about linking to the half day in the locality workshops and asked if this could be developed. MS felt that this had been pursued further.
5. The Committee resolved to **NOTE** the report.

FP/14/105 – IAPT

1. SB updated the group on a paper that had been presented in August, and summarised work carried out to understand IATP services in Bristol and South Glos, including overspend and details such as room use, travel, estates, etc.

2. Staff had been allocated to the front end in Bristol based on the contract value. SB had met with the CCG to take them through this and devise strategies in respond to falling numbers. Several of these had also been discussed in South Glos in order to maintain the same staffing base and manage AQP work. This last area was a major difficulty. There were concerns about overlap to assessment and recovery services, however.
3. SB's final position was that reducing the referral rate was a route to manage the front end, but only to the extent of the contracted resource. That might have an effect on waiting lists, but efforts to understand the quality impact were still being investigated.
4. JM was reviewing contract variations and tariff payments, with a different approach to procurement. KD had little confidence that the tariff rate for South Glos could change. The commissioners were aware of the problem, but were helping little to reduce the cost pressure in South Glos and Bristol. KD thought that giving notice on the AQP side of the contract required some serious consideration. She saw it as an ill-defined concept. SB added that other AQP providers were making decisions that impacted on these areas, and were perhaps managing their costs better.
5. PW agreed with much of what had been said, and stated that this was not a quality service. Closer partnering with the commissioners was needed to re commission the service and improve quality for its users. By giving notice, AQP would either have to re commission new providers or enter into negotiations more seriously. SB believed that there were early signs of increasing quality detected in South Glos. She needed some endorsement of next steps.
6. TG commented that this area was attracting political attention and therefore more funding. The group needed to define length and complexity of cases, in deciding how to approach the commissioners. He also identified a throughput issue, so data had to be benchmarked with a model for short and long term cases. The Chair thought the discussion of what approach to take should take place in front of the board. SH raised the option of Bristol taking a strategic leadership role, and PW agreed that the new model had to embrace all the agencies.
7. KD summarised the actions to pursue conversations with commissioners more robustly about the difference between complex and other presentations; to organise a new model to present to commissioners in the event that notice is given; and to discuss with commissioners the possible option of withdrawing from AQP. A paper would be brought before the board once the strategy was more certain.

FP/14/106 – A.O.B

1. The following items were tabled more for reflection than discussion. More time should be scheduled in the following month's meeting for a budget update. KD reviewed assumptions here concerning the CIP programme and an additional allocation of 0.3% to the employees' pension. It did not include salary rises over 1%.
2. Reference costs were still high, so SH was recommending an external review against another Trust to understand the discrepancy.

3. The Chair believed that an update on tendering and contracts was supposed to have been provided for information, but it was clarified that this was also known as strategy and growth, a presentation on which had been given above.
4. On the data centre business case, a recommendation was being sought from the options appraisal. It was decided to progress this with co-hosting off site, which was efficient and offered flexibility. The Chair agreed with this approach, and the Committee decided to support this option.
5. The Chair asked everybody to score the meeting out of five and state what improvements could be made. Overall, it was scored a 4 out of 5 reporting that the papers had more progress to make, and it was the purpose of this board to report the executive's view. The papers needed to be succinct in the way they conveyed the narrative, listed the options and supported some recommendations. The Chair was pleased with the quality of the contributions, but some more analysis in the papers would have helped.

The meeting concluded at 12.58.

Next Meeting: 15th December 2014