Performance Governance Committee – Minute of Meeting
Monday, 14th November 2016
Room 1, Eglinton House, Ailsa Hospital

1.0 Attendance

Present
Mr Stephen McKenzie  Non-Executive Member (Acting Chair)
Mr Stewart Donnelly  Non-Executive Member
Ms Claire Gilmore  Non-Executive Member
Cllr Hugh Hunter  Non-Executive Member
Mr Ian Welsh  Non-Executive Member

In Attendance
Mr John Burns  Chief Executive
Ms Kirstin Dickson  Head of Planning and Performance
Mr Derek Lindsay  Director of Finance
Mr Stuart Birnie  PricewaterhouseCoopers
Ms Lindsey Paterson  PricewaterhouseCoopers
Mrs Frances Forsyth  Committee Secretary (Minutes)

1.2 Apologies
Mr Robert Martin, Mr Alan Hunter

2. Declaration of Interests

Claire Gilmore declared an interest in the item relating to CNORIS and did not participate in the discussion of this paper.

3.0 Minutes of Previous Meeting: 26th September 2016

The minutes of the previous meeting were approved as an accurate record.

4.0 Matters Arising

Progress against all actions was noted. One of the Non-Executives asked what the outcome of a meeting with Sir Harry Burns was expected to be. The Chief Executive explained that Sir Harry Burns was conducting a review of performance measures which was broader than the Local Development Plan and had expressed a wish to meet with representatives from as many Health Boards as possible.

5. Finance and Service Performance

5.1 Audit Scotland report: NHS in Scotland 2016
The Director of Finance explained that this was an annual report. The report had attracted considerable media coverage particularly around the financial challenge for Boards and failure to meet national performance targets.

Similar to last year, the report looked in detail at expenditure on agency staff. The report for 2016 had also focussed on increasing expenditure on drugs, noting that this had risen by 10% in 2014/15 compared with 2012/13 and that a 5-10% annual increase going forward was predicted. An increase in the number of expensive drugs approved by the Scottish Medicines Consortium (48% in 2014 to 75% in 2016) was one of the drivers for increased costs. The potential to fund expensive drugs from the New Medicines Fund, created by the Government from the Pharmaceutical Price Regulation Scheme (PPRS), was reducing due to diminishing savings from PPRS. The Director of Finance observed that drug costs were a cause for concern going forward.

The report also noted that, although the NHS aimed to change the way its services were delivered by shifting the balance of care to the community, the change was slow. Audit Scotland reported that progress towards the Government’s ‘2020’ vision was slow and no plan for achieving the National Clinical Strategy had been developed; Paul Gray had committed to producing this plan by the end of the year.

Non-Executives agreed that the lack of a resourced five year national plan, was concerning. The Chief Executive provided some reassurance that steps were being taken and that a plan should be going through the Government process at the beginning of December. Development of a national workforce strategy had been brought under one person and the National Clinical Strategy included realistic medicine, acute medicine and primary care where contracts needed to be widened. The Chief Executive acknowledged the challenges posed by shifting the balance of care, he believed that the Health and Social Care partnerships were the right vehicle for this but felt that there needed to be more focus on the outcomes and needs assessment and how to meet the demands within the community rather than expecting everything to come from a changing attitudes. The local Transformation Change programme was Ayrshire & Arran’s focused response to what the Government was doing and included new models of care. The Chief Executive suggested that the new models would take 3-5 years to embed and warned that expecting change too quickly may lead to a perception that the Health and Social Care Partnership model had failed.

Non-Executive members suggested that a Board Workshop to look at the report and Ayrshire & Arran’s response would be helpful. The Chief Executive agreed that this could be planned for the New Year and should also encompass the revenue plan for 2017/18, ‘realistic medicine’ and Transformational Change. The possibility of including the Integration Joint Boards at the workshop was suggested and would be considered by the Chief Executive.

**Action:** John Burns

5.2 Financial Management report – month 6

The Performance Governance Committee considered the financial position for the six months to 30 September 2016, noting that the Board was £7.9 million overspent against the trajectory for the anticipated £13.2 million overspend at year end.
In the context of Scottish Government wanting 50% of spend on community services, the Director of Finance noted that two thirds of the 2016/17 funding uplift had gone to the Health and Social Care Partnerships and Alcohol and Drug Partnerships and total spend in partnerships exceeds that in acute.

Reviewing the main areas of overspend, the Director of Finance noted that in Acute services this was mainly in nursing, driven by the requirement for additional beds. Medical overspending was due to the number of doctors in post being above the funded establishment; there had been a conscious drive to recruit more doctors to reduce the reliance on locums, however locum numbers had not fallen as expected – this situation was being discussed locally to evaluate why this was the case.

The Director of Finance confirmed that a further £1.5 million had been received from the Government for the second half of the year to assist with Access, although there were targets to achieve linked to the funding.

It was noted that the budget for prescribing in primary care which was included in the Health and Social Care budget was in balance, although all Partnerships were overspent. In the South and East there was an improving picture but expenditure in the North was being driven up by mental health staffing which had over 25 wte staff over establishment. All three partnerships were struggling to achieve recurrently, the efficiency savings target.

Committee members scrutinised the emergency admissions figures noting that in spite of the new Clinical Assessment Unit (CAU) at Crosshouse these had risen. Non-Executives believed that it was important to be able to have a clear view of the impact of the investment made in the CAU. The Chief Executive expressed the view that the unit was working well and that the rise in admissions was due to the demographic in the Health Board area which created a significantly higher demand than the national average. The Clinical Director was using data to continuously evaluate and review the position. In some Boards patients also went directly into the wards rather than through A&E.

The financial position and actions to address this were noted by the Committee.

5.3 Performance, Scrutiny and Assurance - Covalent

The Head of Planning and Performance outlined the refreshed approach to performance management including the development of suites of information within Covalent, tailored specifically to the needs of the different governance committees. Covalent offered the ability to drill down from the high level information previously provided, it could also be viewed on screen or preferred devices at the meeting to allow interaction with meeting members. The Acting Chair asked for a ‘shopping list’ of the information available to enable the Performance Governance Committee to select what would be most beneficial. The Chief Executive explained that the Corporate Management Team take a full day every quarter to review performance, looking at the data on screen with the responsible Director leading the discussion.

Action: K Dickson

The revised approach to performance scrutiny and assurance was noted. Further discussion about the content of a tailored Covalent portal for the Committee would take place following receipt of further information.
5.4 Winter Plan

The Chief Executive explained that finalising a winter plan was proving very challenging this year in spite of having embedded good practice from last year. There was a need to be realistic about how much new practices had shifted the balance of care given revenue constraints and increasing demand. Bed complements had been agreed including a number of different pathways from Crosshouse to a new ward (one) at Woodland View which should improve rehabilitation and outcomes. There was a group of patients at Ayr and Crosshouse who were waiting for arrangements to support their transfer out of hospital and a need to identify short term beds in the community. The North Ayrshire Partnership was looking at the possibility of opening 30 NHS beds in a vacant wing of a care home.

Demand over the summer months had required the opening of 56 unfunded beds at Crosshouse, there was little prospect that these could be closed before the winter period and the likelihood was that at least 24 additional beds would be required over the winter in Crosshouse Hospital. The Chief Executive was actively working with the four Operational Directors to try to address the situation.

The North Partnership social care budget was overspent and the number of patients waiting for social care may result in more hospital admissions, representing a further area of challenge.

At Ayr Hospital there was more constraint on capacity for additional beds; the potential for a mini Combined Assessment Unit with six beds in the Emergency department plus two additional six bed areas had been identified which could provide a total of 18 ‘winter’ beds.

At Biggart Hospital beds closures had been necessary for work to shower facilities and also due to staffing issues; the situation was under review. A lack of funding in the South Partnership meant that patients had to wait for a bed to become vacant in a care home. Some additional money was to be provided by the Scottish Government to support work on patient flow and discharge. Problems in the South Partnership were compounded by a number of vacancies in the physician workforce resulting in a high proportion of locums who did not have the usual chain of management support.

The Chief Executive acknowledged that the Board faced a difficult winter. He would be meeting with the Scottish Government to discuss the winter plan and mid-year review and had raised the issues caused by demand and financial pressures. An allocation of £0.5 million had been allocated, however the cost of the additional beds alone would be £3 million.

The Committee discussed the ‘tailored support’ which had been requested from the Government in order to help the Board achieve a financial balance. The Chief Executive confirmed that he was working with the Government as well as seeking help from other organisations, such as PricewaterhouseCoopers and the special Boards as part of the Transformational Change Programme. This was key to providing assurance to the Government that the Board was working to address its challenges.
Responding to a comment from one of the Committee about the likelihood of being able to close beds once they had been opened, the Chief Executive explained that the hospitals were currently operating at 100%+ capacity every day. Anything over 92% was a level which could impact on patient well being. There were significant questions in terms of unscheduled care and beds which would depend on the impact of transformational change, but in the interim, the Chief Executive believed that there was a requirement to open the beds.

The Committee noted the challenges facing the Board over the winter period and commended the work being done by the management team to address these.

6.0 Transformational change programme

6.1 Remit for PricewaterhouseCoopers (PWC)

Committee members heard that the Board’s internal audit programme had been revised to release some audit days which would be used to provide audit input into the Transformational Change Programme (TCP). The PWC Partner confirmed that she believed that the TCP was crucial to the Board and that involvement in this would not affect their ability to provide Internal Audit assurance at the end of the year; a flexible approach would enable the auditors to gain this assurance through involvement in the programme.

6.2 PWC report: Governance Structures and Controls (draft)

The PWC Director reviewed the report for Committee members, noting that, through a sample of programmes, the review considered the control design and effectiveness of the project management governance structures and controls on the Transformation Change Portfolio. The review commended the programme for the level of management awareness, governance structures and templates, and for the establishment of a scrutiny panel. However, the report had been classified as ‘High’ due to the risk that strategic objectives (including a reduction in the budget deficit) would not be achieved if the transformation programme did not succeed. Also because of the delays in progressing the programmes resulting from a lack of programme management resources.

The report contained two detailed findings:
- The review had sampled two programmes, Primary Care and Older People. In both cases a high level Project Initiation Document had been completed but the business cases were significantly delayed due to a lack of dedicated resources.
- A requirement for an overarching portfolio management layer.

The report was still in draft and management were considering their responses. The Chief Executive advised that the report had been helpful, although there had been no surprises. Resource availability was being addressed and the Head of Planning and Performance would lead a small team managing the overall portfolio.

6.3 Portfolio of Transformational Change Programmes

The Head of Planning and Performance explained that the report updated an earlier report to the Board providing greater detail about:
• The governance and supporting structures of the Transformation Leadership Group and its scrutiny sub group.
• Details of the portfolio structure and support groups, including the Strategic Planning and Operational Group (SP&OG) and its sub groups.
• Portfolio support to be provided by a Transformation Programme Management Office.

The PWC Partner commented that the structures looked appropriate but that resourcing was key to ensure that it could become operational and that the execution of the programmes progressed at the required pace. One of the Committee members asked whether there was enough PWC resource. It was agreed that the Director would not attend all Performance Governance Committee meetings but would work with management in the role of a ‘critical friend’.

The Committee acknowledged that these governance arrangements may need to evolve over time but gained assurance from the report and approved the arrangements subject to an update to the flowchart contained in appendix 2.

Action: Kirstin Dickson

6.7 Minutes of the Transformational Leadership Group – 7 October 2016

The minutes of the meeting were noted.

7.0 LDP Standards

7.1 LDP Standards 2016/17

The Head of Planning and Performance presented the Board’s performance report against national targets and the remedial action report for the red and amber indicators, for the Committee’s scrutiny. Against the 24 LDP standards, Ayrshire and Arran had eleven with a red and three with an amber status.

The worsening performance against the twelve weeks Treatment Time Guarantee was examined and it was noted that a revised trajectory had been agreed with the Scottish Government, indicating an acceptance that Ayrshire & Arran would not meet the 100% target due to higher patient numbers on the waiting list. Committee members asked if the revised trajectory could be shown on the graph. They were advised that the software would not allow this, figures were reported against a national target but it may be possible to show the local ‘goal’. The Head of Planning and Performance would consider whether an alternative format for representation was possible.

Action: Kirstin Dickson

Confirmation was given that the Director for the North Ayrshire Partnership was conducting an extensive review of Psychological services with a view to improving the performance against the Faster Access to Psychological Therapies target which was showing a decline in performance.

Committee members looked at the Advance Booking – GP performance target noting that it was a worsening picture. The Head of Planning pointed out that the result was taken from the 2013/14 GP Access Survey and that the Board had no influence to incentivise GP practices to meet the national targets.
Referring to LDP 21 - Financial Performance, Committee members asked where the £10,000,000 deficit target at month six had come from. The Director of Finance explained that this was in the Financial Plan and was being reported to Scottish Government on a month by month basis.

The acting Chair asked that the ‘Responsible Director’ for the actions be requested to provide a clearer explanation of the remedial action to give detail about what was actually happening and the outcomes rather than text which was repeated on each report. The Chief Executive explained that the actions were followed up in Board papers and that these could be referenced, however, the Acting Chair asked that specific detail was provided in the LDP report to avoid the requirement to look up Board papers.  

Action: Kirstin Dickson

8.0 Efficiency and Productivity

8.1 Pan-Ayrshire Joint Equipment Store

Committee members were pleased to see the completion of the business case for a joint equipment store to be hosted by the South Ayrshire Partnership. This would result in some efficiency savings, although of limited value. The Acting Chair queried the £100,000 ‘optimism bias’ which was explained as a contingency to mitigate the risk that the project may be more expensive than envisaged. The Internal Auditor confirmed that this was a standard requirement to cover actuarial quantity risk.

8.2 Locum Managed Service

The Performance Governance Committee was asked to approve the proposal to enter into a contract with Brookson for direct engagement of medical locums including a comprehensive management information IT system.

The Director of Finance explained that there had been a 60% rise in expenditure on medical locums between 2014/15 and 2015/16. Direct engagement of medical locums meant that the Health Board did not have to pay VAT as this is not charged on the provision of medical services, whereas engaging these staff through an agency incurs 20% VAT. Ayrshire & Arran had engaged the services of Brookson for a six month trial of its direct engagement service. During this period Brookson had made a 6% charge for their services, therefore providing the Health Board with a 14% saving on VAT. The number of locums coming through this route had increased to around 50%. In future all agency providers would be informed that all locums should be engaged through Brookson unless there are exceptional reasons why they cannot.

In April 2017 Inland Revenue legislation will change requiring either the agency or engager to deduct tax and national insurance from most locums who use a Personal Services Company. In addition to direct engagement, Brookson can also offer an umbrella payroll service where it acts as the employer, deducting tax and national insurance from the locum.

West of Scotland Boards tendered for a ‘master vendor’ to achieve lower hourly
rates for locums and have awarded a twelve month contract to Retinue. Retinue offer direct engagement as an optional extra but this did not include an umbrella payroll service.

The Director of Finance explained that he believed that the benefit of the Retinue service of negotiated lower rates may be superseded by a national capped rate regime and that the assurance around tax and national insurance compliance on a long term basis as offered by Brookson was more valuable.

The Acting Chair questioned whether Brookson would be asked to indemnify the Board against future tax liabilities. The Director of Finance confirmed that this would be requested.

The Performance Governance Committee approved the proposal to implement the Brookson system.

9.0  Risk

9.1  Corporate Risk Register

The Committee received an extract of the register containing the risks relevant to its remit. One change to these risks had been made since the previous meeting, namely the upgrading of risk 493 relating to achieving a balanced budget. The risk rating had been increased from high to very high and risk status changed from Tolerate to Treat.

The Committee accepted the report and took assurance that appropriate measures were being taken.

9.2  Clinical Negligence or Other Risk Indemnity Scheme (CNORIS)

The Committee received an overview of payments made through CNORIS over the last ten years as well as the CNORIS annual report for 2015/16. The Director of Finance explained that there appeared to be an upward trend in payments made due to a litigious society. The highest value claims most frequently arose from brain damage to babies at birth. Although the introduction of periodic payments rather than single lump sums had helped to ‘smooth’ annual costs, payments in 2015/16 exceeded £50 million nationally and were expected to do so again in 2016/17. The Director of Finance proposed that the budget for 2017/18 be increased by £250,000 to enable Ayrshire and Arran to meet its share of the £50 million which would be around £3.33 million. It was noted that this represented around a 10% increase on current budget. The Director of Finance acknowledged that this was the case but that the budget had not been increased for a number of years.

Committee members accepted the recommendation but asked whether details of claims were presented to the Clinical Governance Committee. The Chief Executive responded that this was not routinely the case and agreed to consider the best way to ensure lessons could be learnt from these events.

Action: John Burns

10.0  Any other business
There was none.

12.0 Date of Next Meeting

11.1 19th December 2016 at 10:00 hrs in Meeting Room 1, Eglinton House, Ailsa Hospital.

11.2 Future Meetings

to take place at 10.00am in meeting room 1, Eglinton House, Ailsa Hospital

10th February 2017
10th April 2017

Signature ........................................ Date ........................................