

Governing Body (public) Meeting

DATE: 21 May 2015

Title	London Ambulance Service (LAS) 15-16 contract update
Recommended action for the Governing Body	<p>That the Governing Body:</p> <ul style="list-style-type: none"> • NOTE the information provided on the increases required for the 2015-16 LAS contract; and that this increase, for Bexley, is within the planned budget previously approved by the Governing Body.
Executive summary	<p>In previous planning updates, members were advised that a large increase in the London Ambulance contract, for all CCGs, was expected. Several options were presented for consideration, by Chief Officers, but, at the time of the last update, the preferred option and the amount of the increase was unknown.</p> <p>However, in anticipation of this increase, the CCG set aside an additional £500k in budgets, from 2014/15 contract values, in addition to normal planning requirements (growth & deflator), taking the planned value for 2015/16 to £7,642,326.</p> <p>Formal contract proposals are yet to be received from LAS. However, the option and additional sum required from CCGs in 2015/16 has now been agreed.</p> <p>On advice, Chief Officers confirmed support for the LAS Transformation Business Case Option1B. The evaluation paper is attached at Appendix 1.</p> <p>A full update, provided by Bernard Quinn, working on behalf of the London CCGs on LAS, is attached at Appendix 2.</p> <p>The total amount to implement Option1B is £18.975m. This is substantially less than the originally proposed value for option 1B of £32.2m. This is divided by CCGs on the following basis:</p> <ul style="list-style-type: none"> • Cost of activity is apportioned between CCGs based on their historic use of ambulance services; • CCG activity over 3 years is used to calculate the proportion of total ambulance activity over the same

Clinical Commissioning Group

	<p>period generated by that CCG;</p> <ul style="list-style-type: none"> • This proportion is used to split the core contract value amongst CCGs (e.g., a CCG that is modelled as generating 2.5% would pay 2.5% of the core contract value); • Current model uses the most up to date data from LAS, and the 3 year period is measured from February 2012 to January 2015; • Some elements of the contract (e.g. HART) are apportioned based on CCG allocations. <p>CCGs have had confirmation that the additional funding includes growth for 2015/16, and replaces the non-recurrent funding given in 2014/15 (however this is being checked again). The CCG split is shown on page 7. Bexley's proportion of the additional funding, on this basis, is £489,905, within the £500,000 set aside in planning.</p> <p>As part of the agreement for this additional funding, CCGs asked that payments were made based on performance. A proposal for the gateways to release the investment funding to LAS on a quarterly basis was devised by CCGs, with an alternative option proposed by LAS. The CCG proposal is an approach that links release of investment to implementation of schemes and delivery of performance, with the principle that 75% A8 performance is achieved from the end of Q2 onwards as per the 15/16 agreed trajectory. It also reduces the funding required in Q1 to £5.858m. The proposal is attached at Appendix 3. The CCG SPG leads confirmed that the CCG proposal was remained the preferred option; which will be included in the 15/16 contract with LAS. This will not affect payments unless LAS do not pass a gateway and therefore do not receive the full tranche of investment.</p>	
Which objective does this paper support?	Patients: Improve the health and wellbeing of people in Bexley in partnership with our key stakeholders	N/A
	People: Empower our staff to make NHS Bexley CCG the most successful CCG in (south) London	N/A
	Pounds: Delivering on all of our statutory duties and become an effective, efficient and economical organisation	✓
	Process: Commission safe, sustainable and equitable services in line with the operating framework and which improves outcomes and patient experience	✓
Organisational	Key risks	There is a risk that, despite the additional

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implications	(corporate and/or clinical)	London investment, LAS will continue to fail nationally set targets. The financial risk is mitigated by the introduction of gateway reviews to monitor performance. The funding may still be insufficient if it transpires that the 2015/16 investment is in addition to the 14/15 non-recurrent funding (this is being checked again).
	Equality and diversity	The additional investment will help to ensure that all patients needing an ambulance receive the expected service in line with national targets.
	Patient impact	The additional investment will help to ensure that the LAS services improve, thereby improving the service to patients.
	Financial	The additional investment for 2015/16, across London, is £18.975m. Bexley's proportion of this is £489,905, within the £500,000 set aside in planning in 2015/16.
	Legal issues	N/A
	NHS constitution	N/A
Consultation (public, member or other)	N/A	
Audit (considered/ approved by other committees/groups)	Proposals have been considered by Chief Financial Officers and Chief Officers at London meetings.	
Communications plan	N/A	
Author	Theresa Osborne Chief Financial Officer	
	Clinical Lead Dr Sid Deshmukh Finance Lead	Executive Sponsor Theresa Osborne Chief Financial Officer
Date	1 st May 2015	



**Meeting to evaluate and score the LAS Transformation Business Case
13th March 2015**

Present:

- Keith Edmunds, representing Jacqui Harvey Chief Officer, Richmond CCG (representing South West)
- Steve Gilvin, Chief Officer, Newham CCG (representing Inner North East)
- Jenny Mazarelo, representing Liz Wise, Chief officer Enfield CCG (representing North Central)
- Paul Jenkins, Director of Integrated Commissioning Southwark CCG (representing South East)
- Rob Larkman, Chief Officer BHH (representing Outer North West and Brent CCG as lead commissioner) and Chair
- Bernard Quinn, Director of Delivery, BHH (representing Brent CCG as lead commissioner)
- Elizabeth Ogunoye, LAS Commissioning (Contract Account Director)
- Martin Marcus (Mckinsey)
- Apologies received from Clare Parker, Chief Officer, CWHHE (representing Inner North West)
- Meeting invite accepted by Tom Travers representing Outer North East but non attendance noted.

Background

- The diagnostics of current LAS performance was outlined with high utilisation as the main driver of poor A8 performance.
- Currently LAS utilisation is in the high 80%s and sometimes low 90%s whilst ambulance providers outside London average low 70%s. To reach a steady state of sustained performance, LAS utilisation needs to be at 67% or lower.
- Action required - SPG leads were asked to consider the four options which would be presented and identify which option is supported. The outcome would then be reported back at the Chief Officer's meeting on 19th March. In the meantime, SPG leads will take back to their local CCGs.

Presentation of Business Case Options and issues discussed

A lower utilisation implies a higher level of confidence in achieving A8 performance both on any given day and annually. Four options have been modelled:

- Option 1a – Aims for an aggressive approach in 15/16 and provides a high confidence of A8 delivery in 15/16 with a cost of 44.9m in 15/16 and 21.1m in 16/17. This option was discounted due mainly to the level of frontline overtime involved and the investment cost

- Option 1b - Adding capacity to deliver a target utilisation of 67% with a measured transition delivers 75% A8 performance in 15/16 and 16/17. It gives a medium high confidence level of performance delivery in 15/16 but a very high confidence level the following year. Cost would be £33.6m in 15/16 and £20.9m in 16/17.
- Option2a- Aims for 73% utilisation rate in a rapid way with a high confidence level of achieving A8 performance in 15/16 and 16/17 respectively.
- Option 2b - Adding less capacity to deliver a target utilisation of 73% with a measured trajectory requires a £26m investment in 15/16 and £9.3m in 16/17. With this option LAS will not start to recover performance until 16/17.

On the basis that 1a had been discounted and 2b would not deliver performance until 16/17. The group agreed to focus discussions on options 1b and 2a; the key difference between these options is that 1b gives 90% confidence of achieving performance whilst 2a gives 50% confidence. A number of efficiencies have been modelled into the business case all of which are non-cash releasing e.g. reduction of job cycle times. It was also noted that weighting for the evaluation criteria can be changed based on judgement.

Financial implication for CCGs

- It was noted that there is potential funding contribution totalling £13.2m. This is made up of £8.2m underspend from the 14/15 resilience funding allocated to LAS (still to be agreed) and £5m LAS deficit planned for 15/16. The total contribution will in effect fund the non-recurrent element of both options.
- This would leave CCGs with a recurring funding requirement of £20.4m for 1b and 17.5m for 2a of which there is a 15/16 activity growth commitment of £11m, making the underlying additional pressure for option 1b £9.4m and option 2a £6.5m.

Conclusion and actions agreed

It was noted that 67% utilisation rate is the sustainable performance achievement level for LAS therefore all agreed to support Option1b. However this support is linked with funding release on the achievement of transformational gateways which will be identified and agreed. Also LAS will be expected to cooperate with CCG non conveyance and other local initiatives set up to manage demand into emergency departments.

Other points to consider:

- Can cost for Option 1b be further driven down?
- Can LAS clarify which cost lines don't start from 1st April 2015?
- CBRN funding for 15/16 was flagged as potential additional funding requirement for CCGs even though there is an undertaking from NHSE to help source this funding nationally. It was noted that CCGs might have to consider option 2a if faced with funding the CBRN cost in addition to the transformation business case.

Next steps

- Discussion and actions to be reported back to the Chief Officers meeting on 19th March 2015 and SPG leads to feedback to their local CCGs.
- Notes from the meeting to be written up for the Chief Officers meeting.

Update for CCG Governing Body – April 2015

London Ambulance Service Transformation Business Case & 2015/16 Contract

Background

The external diagnostic review of LAS performance, undertaken by McKinseys during 2014/15, identified high utilisation, increasing A8 demand and insufficient staff numbers as the main drivers of A8 performance.

As part of the analysis it was identified that LAS utilisation has been consistently high when compared to other ambulance services, reaching 90%, whilst ambulance providers outside London average 70-74%. Lower utilisation means that there is ambulance capacity to respond to new blue light responses. The McKinsey diagnostic identified a clear relationship between utilisation and performance and in order to reach sustainable performance, LAS utilisation needs to be reduced and staffing levels increased.

Transformation Business Case

The diagnostic work informed a business case, developed with Strategic Planning Group (CCG SPG) leads, LAS and NHSE over the course of 3 months again supported by McKinseys looking at the options to achieve sustainable performance.

These identified a range of schemes across staffing, vehicle capacity, training and productivity that support 4 options of-

- **Option 1a** – An very rapid approach to increasing capacity in 15/16, providing target performance early for A8 in 15/16 at a cost of £44.9m in 15/16 and 21.1m in 16/17. This option was discounted by both LAS and CCGs due to the adverse impact on staffing as it included substantial and sustained levels of overtime not previously delivered by LAS staff coupled to an affordability challenge at £44m.
- **Option 1b** - Adding capacity to deliver a target utilisation of 67% (90% confidence of achieving A8 performance) with a measured transition delivering 75% A8 performance in 15/16 and 16/17. It gives a medium to high confidence level of performance delivery in 15/16 with a very high confidence level the following year. The cost being £33.6m for 15/16 and £20.9m for 16/17. This was identified as the preferred option by LAS SPG leads and Chief Officers.
- **Option 2a**- Adding less capacity compared to Option 1a&b resulting a lower level of reduction in utilisation and therefore providing 50% confidence of meeting A8 performance in both 15/16 and 16/17. The cost for 15/16 was £30m and 16/17 £15m.
- **Option 2b** - Adding less capacity with a slower investment plan to deliver a target utilisation of 73% with a measured trajectory requiring a £26m investment in 15/16

and £9.3m in 16/17. With this option LAS will not start to recover A8 performance until 16/17.

CCG SPG from the 32 CCGs across London met on 13th March 2015 and agreed to support Option 1b based on considerations of patient safety, deliverability and affordability.

Financial implication for CCGs

On request from coordinating commissioner, LAS reduced the cost of funding Option1b by £1.4m to £32.2m. The Co-ordinating commissioner had also asked TDA and NHSE to contribute to the investment required for LAS.

Following lengthy consideration there was agreement to offset the costs to CCGs by allowing LAS to carry forward System Resilience underspend for 14/15 of £8.2m and for LAS to run with a planned deficit of £5m for 15/16 , both of which are now formally agreed by the Trust Development Authority (TDA).

The total contribution will in effect fund the non-recurrent elements. Appendix 1 shows Option 1b and the 14/15 -15/16 contract reconciliation.

Business Case Current Position

The Accountable Officers for the 32 CCGs have now confirmed support for Option 1b with the following conditions:

- Funding to be released quarterly on progress with agreed gateways which will be assessed quarterly. Gateway to be agreed with SPG LAS leads.
- Mitigation of 16/17 cost of the business case with a progress update at the end of Q1.
- Monitor LAS financial position and report quarterly in order to give early warning of any improvement in their financial position. (i.e. what happens if LAS breaks even in 15/16)
- LAS engagement and cooperation with CCG non conveyance and other local initiatives set up to manage demand into emergency departments.

The CCGs have also noted the risk associated with CBRN funding which is currently with NHSE to address through national funding routes. AO's have stated that they will revert to option 2a if required to fund CBRN.

2015/16 Contract Update

The following key items that form the 2015/16 contract proposal have been agreed:

- Activity growth - 7.4% on CAT A and 0% on Cat C
- Total contract offer for 15/16 £291,969m
- Movement from 2014/15 to 2015/16 contract £18,975m
- Risk share arrangements in 2015/16 for the CAT C activity to incentivise demand reduction for non-emergency transport

The following schedules have been agreed and signed off:

- Quality
- CQUINS
- Information
- Service specification
- Material Subcontractors
- Information Schedule

CBRN

There is an undertaking from NHS England (NHSE) to help source funding for CBRN nationally. On this basis, LAS with support from CCGs has submitted a business case to NHSE with options for funding

Next Steps

- NHSE to confirm position with funding for CBRN.
- Finalise gateways for quarterly release of investment funds to be agreed with SPG LAS leads.

Bernard Quinn
Director Delivery & Performance.
Brent , Harrow & Hillingdon CCGs

17th April 2015

Appendix 1. Analysis of LAS Investment Funding and Contract 2015/16

	Option 1b 15/16	Option 2a 15/16
Investment request- Recurrent	20.8	19.5
Investment request- Non Recurrent	11.4	11.2
Total investment	32.2	30.7
In year Adjustments		
Funding contribution		
14/15 Resilience funding	8.2	8.2
LAS deficit	5.0	5.0
Sub total funding	13.2	13.2
Impact	19.0	17.5
Activity commitment	11.1	11.1
Underlying additional pressure	7.9	6.4

CCG Split of Option 1B, original Vs Revised.

CCG	14/15 activity CCG Split	15/16 CCG activity split	CCG Share of PIP 15/16	15/16 CCG split based on revised 1B cost
NHS Barking and Dagenham CCG	2.53%	2.53%	£ 850,570	£ 815,130
NHS Barnet CCG	3.89%	3.92%	£ 1,316,382	£ 1,261,533
NHS Bexley CCG	2.54%	2.58%	£ 867,499	£ 831,353
NHS Brent CCG	3.68%	3.72%	£ 1,250,980	£ 1,198,856
NHS Bromley CCG	3.21%	3.31%	£ 1,111,864	£ 1,065,536
NHS Camden CCG	3.31%	3.28%	£ 1,103,436	£ 1,057,459
NHS Central London (Westminster) CCG	3.79%	3.66%	£ 1,230,722	£ 1,179,442
NHS City and Hackney CCG	3.49%	3.47%	£ 1,164,608	£ 1,116,083
NHS Croydon CCG	4.57%	4.62%	£ 1,553,439	£ 1,488,712
NHS Ealing CCG	3.85%	3.79%	£ 1,273,301	£ 1,220,246
NHS Enfield CCG	3.67%	3.71%	£ 1,246,394	£ 1,194,461
NHS Greenwich CCG	3.11%	3.07%	£ 1,032,140	£ 989,134
NHS Hammersmith and Fulham CCG	2.20%	2.15%	£ 723,493	£ 693,348
NHS Haringey CCG	3.24%	3.18%	£ 1,067,118	£ 1,022,654
NHS Harrow CCG	2.29%	2.30%	£ 773,631	£ 741,396
NHS Havering CCG	2.75%	2.86%	£ 961,514	£ 921,451
NHS Hillingdon CCG	4.01%	4.08%	£ 1,371,482	£ 1,314,337
NHS Hounslow CCG	2.96%	2.99%	£ 1,005,610	£ 963,710
NHS Islington CCG	2.86%	2.90%	£ 974,338	£ 933,741
NHS Kingston CCG	1.71%	1.72%	£ 579,289	£ 555,152
NHS Lambeth CCG	4.14%	4.10%	£ 1,376,204	£ 1,318,862
NHS Lewisham CCG	3.39%	3.34%	£ 1,123,589	£ 1,076,773
NHS Merton CCG	2.04%	2.03%	£ 681,543	£ 653,145
NHS Newham CCG	3.89%	3.84%	£ 1,288,879	£ 1,235,176
NHS Redbridge CCG	3.05%	3.07%	£ 1,032,454	£ 989,435
NHS Richmond CCG	1.71%	1.73%	£ 582,116	£ 557,861
NHS Southwark CCG	4.05%	3.98%	£ 1,336,483	£ 1,280,796
NHS Sutton CCG	2.04%	2.09%	£ 702,335	£ 673,071
NHS Tower Hamlets CCG	3.15%	3.13%	£ 1,050,608	£ 1,006,832
NHS Waltham Forest CCG	3.04%	3.02%	£ 1,014,279	£ 972,017
NHS Wandsworth CCG	3.08%	3.07%	£ 1,030,402	£ 987,468
NHS West London (K&C & QPP) CCG	2.76%	2.75%	£ 923,301	£ 884,830
London	100.00%	100.00%	£ 33,600,000	£ 32,200,000

CCG Split of Option 1B (impact of business case and final LAS offer)

CCG	15/16 CCG Split-Activity	Investment 15/16	Source funding to cover investment			Final offer inc. Invest't & Sources of funding
			Resilience funding	LAS Deficit	15/16 CCG offer	
NHS Barking and Dagenham CCG	2.53%	£815,130	-£208,212	-£126,573	£480,344	£7,374,983
NHS Barnet CCG	3.92%	£1,261,533	-£322,239	-£195,890	£743,403	£11,452,952
NHS Bexley CCG	2.58%	£831,353	-£212,357	-£129,092	£489,905	£7,630,358
NHS Brent CCG	3.72%	£1,198,856	-£306,229	-£186,158	£706,469	£10,836,577
NHS Bromley CCG	3.31%	£1,065,536	-£272,175	-£165,456	£627,905	£9,673,206
NHS Camden CCG	3.28%	£1,057,459	-£270,112	-£164,202	£623,146	£9,557,483
NHS Central London (Westminster) CCG	3.66%	£1,179,442	-£301,270	-£183,143	£695,028	£10,605,044
NHS City and Hackney CCG	3.47%	£1,116,083	-£285,086	-£173,305	£657,692	£10,063,152
NHS Croydon CCG	4.62%	£1,488,712	-£380,269	-£231,167	£877,277	£13,405,780
NHS Ealing CCG	3.79%	£1,220,246	-£311,693	-£189,479	£719,074	£10,960,966
NHS Enfield CCG	3.71%	£1,194,461	-£305,107	-£185,475	£703,879	£10,775,542
NHS Greenwich CCG	3.07%	£989,134	-£252,659	-£153,592	£582,882	£8,959,115
NHS Hammersmith and Fulham CCG	2.15%	£693,348	-£177,105	-£107,663	£408,580	£6,478,718
NHS Haringey CCG	3.18%	£1,022,654	-£261,222	-£158,797	£602,636	£9,407,886
NHS Harrow CCG	2.30%	£741,396	-£189,378	-£115,124	£436,894	£6,795,977
NHS Havering CCG	2.86%	£921,451	-£235,371	-£143,082	£542,998	£8,300,361
NHS Hillingdon CCG	4.08%	£1,314,337	-£335,727	-£204,090	£774,520	£11,705,105
NHS Hounslow CCG	2.99%	£963,710	-£246,165	-£149,644	£567,901	£8,731,717
NHS Islington CCG	2.90%	£933,741	-£238,510	-£144,991	£550,240	£8,517,948
NHS Kingston CCG	1.72%	£555,152	-£141,805	-£86,204	£327,143	£5,125,692
NHS Lambeth CCG	4.10%	£1,318,862	-£336,883	-£204,792	£777,186	£11,767,790
NHS Lewisham CCG	3.34%	£1,076,773	-£275,045	-£167,201	£634,527	£9,810,120
NHS Merton CCG	2.03%	£653,145	-£166,836	-£101,420	£384,889	£6,176,197
NHS Newham CCG	3.84%	£1,235,176	-£315,507	-£191,797	£727,871	£11,124,649
NHS Redbridge CCG	3.07%	£989,435	-£252,736	-£153,639	£583,060	£8,833,138
NHS Richmond CCG	1.73%	£557,861	-£142,497	-£86,624	£328,739	£5,350,015
NHS Southwark CCG	3.98%	£1,280,796	-£327,160	-£198,881	£754,755	£11,572,355
NHS Sutton CCG	2.09%	£673,071	-£171,926	-£104,514	£396,631	£6,100,282
NHS Tower Hamlets CCG	3.13%	£1,006,832	-£257,180	-£156,340	£593,312	£9,188,548
NHS Waltham Forest CCG	3.02%	£972,017	-£248,287	-£150,934	£572,796	£8,701,731
NHS Wandsworth CCG	3.07%	£987,468	-£252,234	-£153,334	£581,901	£8,832,203
NHS West London (K&C & QPP) CCG	2.75%	£884,830	-£226,016	-£137,396	£521,417	£8,153,605
London	100.00%	£32,200,000	-£8,225,000	-£5,000,000	£18,975,000	£291,969,194

**LAS Transformation Business Case
Proposed Funding Gateways**

LAS COMMISSIONING TEAM

LAS Transformation Business Case – Proposed Gateways (based on performance)

Transformation Business Case - Option 1 B Quarterly Gateways	Q1	Q2	Q3	Q4	
Payment sliding scale					
0% of payment	Quarter 1 paid in advance	64% or lower	71.36% of lower	73.79% of lower	
25% of payment due		64.1% to 67.73%	71.37% to 72.38%	73.80% to 74.19%	
50% of payment due		67.74% to 71.36%	72.39% to 73.79%	74.20% to 74.38%	
75% of payment due		71.37% to 74.99%	73.80% to 74.99%	74.39% to 74.99%	
100% of payment due		75% or more	75% or more	75% or more	
Guaranteed min payment (assumes that planned additional permanent staff are employed)	£5,838,000	£1,150,000	£1,655,000	£1,940,000	
Performance measure as per trajectory	64.0%	75.9%	77.8%	78.4%	Total
Maximum funding per Quarter	£5,258,000	£6,620,000	£11,931,000	£7,791,000	£32,200,000
COG Payments	£1,455,766	£4,007,945	£8,808,725	£4,732,565	£19,000,000
LAS Payments	£4,402,234	£2,612,055	£3,122,275	£3,058,435	£13,200,000

Other areas where CCGs will require assurance across Q1 to Q4

Period	Area of Assurance required	LAS update/action taken:	RAG Status
Q1 onwards	Management infrastructure including robust programme management with appropriate balance scorecard to support implementation.		
Q1 onwards	Governance arrangement in place to ensure timely delivery.		
Q1 onwards	Evidence that sufficient resources have been and remain committed to the programmes.		
Q1 onwards	Communications strategy to cascade the change programme through the organisation		
Q1 onwards	Retention plan and progress against retention target.		
Q1 onwards	Capability building, mind sets and behaviour changes		

Proposed Assurance Process

- Assurance Forum to be held with LAS at the end of each Quarter to review progress against implementation of schemes and performance against agreed trajectory.
- The Assurance Forum will consist of:
 - Brent CCG as lead/coordinating commissioner
 - CCG SPG leads
 - LAS Executive leads
 - LAS Contract Team
 - TDA
- Planned dates for Forums are 7th July, 6th October, 5th January 2016 (April 2016 date to be confirmed).
- LAS will submit completed assurance template in advance for CCGs to review in advance of Forum.
- At Forum CCGs will take a view on performance for the previous Quarter and confirm sliding scale payment for the next Quarter.

