

MINUTES of the meeting of the **HEALTH SCRUTINY COMMITTEE** held at 10.00 am on 24 January 2013 at Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN.

These minutes are subject to confirmation by the Committee at its meeting on 14 March 2013.

Elected Members:

Mr Nick Skellett CBE (Chairman)
Dr Zully Grant-Duff (Vice-Chairman)
John V C Butcher
Bill Chapman
Dr Lynne Hack
Mr Peter Hickman
Mrs Caroline Nichols
Mr Colin Taylor
Mr Richard Walsh

Independent Members

Borough Councillor Hugh Meares
Borough Councillor Mrs Rachel Turner

Apologies:

Mr Alan Young
Borough Councillor Nicky Lee

In Attendance

1/13 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Alan Young and Nicky Lee.

2/13 MINUTES OF THE PREVIOUS MEETING: [Item 2]

The minutes were agreed as an accurate record of the meeting.

3/13 DECLARATIONS OF INTEREST [Item 3]

No declarations

4/13 QUESTIONS AND PETITIONS [Item 4]

None received

5/13 CHAIRMAN'S ORAL REPORT [Item 5]

Southwest London JHOSC

The Southwest London joint Health Overview & Scrutiny Committee met on 12 December to discuss the inclusion of Epsom Hospital into the Better Services, Better Value review following the halting of the merger that we will be looking at in-depth today. NHS southwest London is looking again at all options and will report back to the JHOSC in due course with its preferred option. The aim was to begin consultation after Easter but as this will be during the purdah period it may have to be pushed back to after the election. I will keep you updated on the timetable.

BSBV Stakeholder Event

On 15 January I attended a stakeholder consultation event for BSBV at Epsom Downs. The proposals still include only three A&Es across now five hospital sites, with one site without an A&E hosting a planned care centre. I, along with other key stakeholders, provided important feedback to the BSBV programme on the concerns we have for the residents of Surrey should the option to remove the A&E from St Helier and Epsom be the preferred one. Colin and I will continue to voice these concerns during the upcoming JHOSC meetings.

Visits to SECamb Headquarters

On 4 and 15 February there are visits scheduled to SECamb's headquarters in Banstead. The purpose of these visits is to show those that have not seen how vehicles are managed and dispatched or for those that have, to have a refresh. This is to ensure that we are well-informed when they attend our March meeting to discuss their performance in more detail. I would encourage you to attend one of these visits if you have not been to their HQ before.

CQC Inspections

In November, two of the Council's own residential homes for older people were inspected by the Care Quality Commission. They did not receive favourable reports and an enforcement notice was served at Cobgates, Farnham, in relation to keeping accurate care records. I sought assurances from the Strategic Director of Adult Social Care about the matter and she has responded. There is a management plan in action to resolve these issues and the Directorate continues to strive for excellent services. Another

unannounced CQC inspection took place in the beginning of January and Cobgates was deemed compliant.

6/13 REVIEW OF EPSOM HOSPITAL MERGER [Item 6]

Declarations of Interest:

None.

Witnesses:

Matthew Hopkins, Chief Executive, Epsom & St Helier University Hospitals NHS Trust

Jan Sawkins, Independent Chair, Epsom & St Helier Transaction Board

Peter Cook, Programme Director, Epsom & St Helier Transaction Board

Bob Peet, Director of Special Projects, Ashford & St Peter's Hospitals NHS Foundation Trust

Miles Freeman, Chief Officer, Surrey Downs CCG

Karen Parsons, Chief Operating Officer, Surrey Downs CCG

Diane Hedges, Better Services Better Value lead for Surrey Downs CCG

Rachel Tyndall, Senior Responsible Officer, Better Services Better Value Programme

Key Points Raised During the Discussion:

1. The Chairman began by setting out the concern of the Committee about the failed merger between Epsom Hospital ("Epsom") and Ashford & St Peter's Hospitals ("ASPH") and its wish to understand why this had happened.
2. The Independent Chairman of the Transaction Board reported that it had not anticipated when the Transaction Board last updated the Committee that the merger would fail.. In outlining the history of the transaction it was explained that obtaining Cooperation and Competition Panel (CCP) approval at stage 1 on 12 September 2012 had been a very significant achievement. After this Deloitte had continued their investigations and concluded their work on the merger. It was emphasised that stakeholder support for the proposed merger especially that of Surrey residents could not have been stronger.
3. Subsequent to stage 1 approval ASPH had also engaged in further financial work. This work resulted in a reduction in their proposed synergies downwards at year 5 from £14.0m to £10m (£8.8m at the five year point) and a projected increase in on-costs from £1.2m at year 5 to £5.m (due mainly to the inclusion of capital costs). At around this time there was also uncertainty concerning Surrey Downs CCG and its commissioning intentions whilst the Better Service Better Value (BSBV) preferred option made public in August 2012 included the repatriation of south west London orthopaedics from the Elective Orthopaedic Centre at Epsom Hospital ("EOC") to St Helier Hospital.

.It was noted that the impact of this BSBV option on Surrey residents was a concern for Members.

4. In conclusion four factors were identified as having led to the failure to agree a credible financial case for approval of the merger, the size of the deficit at Epsom which was £5.4m at the five year point after transitional funding, the reduction in ASPH synergies and increased costs, uncertainty over Surrey Downs CCG commissioning intentions and the potential impact of BSBV. It was explained that NHS South of England (NHSSoE) had considered the requirement for transitional funding too great whilst BSBV was now delayed pending further discussion between NHS South West London (NHSSWL) and Surrey CCG's These factors had together led to the decision of NHS London on 25 October 2012 to halt the merger with urgent discussions to follow to progress matters.
5. Members raised questions concerning the allocation of the deficit between Epsom and St Helier Hospital and whether the Trust felt that the Deloitte's figures were accurate in this regard and were satisfied that they were not biased in favour of St Helier. Hospital .It was explained by the Chief Executive that NHS finance is especially complicated as each year it is necessary to make a number of assumptions and judgments on income and costs of patient care and other risks such as inflation and level of savings possible to produce an operating plan. This plan predicted a total deficit of £19.4 million which was then split between the two sites which had been operating as a single organisation for the last 13 years. This split was complicated by factors such as the level and type of activity at each site (for example Epsom has some services with a richer skill mix) and the respective running costs. It was noted that the healthcare market around Epsom had a range of other healthcare providers which meant that some patient care which would normally be provided in an acute hospital, was provided elsewhere. It was explained that the Transaction Board were satisfied that there was consistency between the financial analysis done by the Trust in this regard and that done by Deloitte and that there will always be movement over a financial year as costs, cost savings and income move . For this reason Deloitte had prepared three scenarios, the best, most likely and worst case with, for example, the worst case scenario including the potential £5.7m fine. It was refuted on this basis that there was a mismatch between the Deloitte figures and the Trust Management Accounts and reported that any discrepancies were the result of movement in items such as planned commissioned activity which had been greater than anticipated.
6. An increase in commissioned activity at Epsom was "a good news story" for the Trust as it had attracted work from other parts of south west London due to an increased need for healthcare and the good standards available at the Trust's hospitals Hence the Trust was moving towards the Deloitte best case scenario and any decrease in deficit should be applauded.
7. Questions were then addressed by members to ASPH concerning the reduction in proposed synergies, the level of transitional funding available from NHS South of England, the impact of BSBV on the

merger plan and the impact of the potential £5.7 m fine for breaching infection control rates. On the decision to halt the merger, The Director of Special Projects explained that following the announcement of Preferred Bidder Status, further financial investigatory work had been undertaken with Epsom managers and clinicians and a more prudent view of the level of savings that could be obtained had been reached. In the intervening period, significant improvements in efficiency at Epsom meant that there was far less scope for further savings in subsequent years. Much work had been done on improving infection control at Epsom & St Helier but prudent financial assumptions had to be made concerning the potential significant fine and this had been done. As far as Transitional funding was concerned it was reported that there was support from NHS London and NHS South of England and that the issue had not been the amount of transitional funding that would be provided but the length of time it became apparent it would be required. A viable business case that transitional funding would not be required after five years could not be established.

8. Concern was raised by members that the interests of Surrey residents had not been represented or addressed by BSBV and this needed to be addressed. It was conceded that the emergence of the BSBV plan had been one of the factors that contributed to the failure of the merger. In particular the plan to move the EOC from Epsom to St Helier was identified as having had a major impact on the viability of the Epsom site and ASPH's view of Epsom.
9. Another factor leading to the halting of the merger was uncertainty over the commissioning intentions of Surrey Downs CCG and Members enquired as to the level of dialogue that had taken place between the CCG and the Trust. It was reported to Members that despite a constructive meeting as to commissioning intentions the potential gap that would be caused by the move of the EOC could not be closed to ensure viability at Epsom. Members were told that for some years it had been a feature of the local health economy that it had been in deficit. There needed to be cooperation within the whole health system to reach a balanced position as with the current static funding arrangements savings had to be made. Judgements therefore had to be made as to how to get to a place where services are sustainable in the area and a balanced financial position achieved for the providers and commissioners.. It was reported to members that although the EOC is significant for Epsom it is run on a profit share basis so that the impact of its loss is not as grave as it might appear whilst it had been anticipated that additional work would come to Epsom from the BSBV plan.
10. Members then asked about the level of representation for Surrey on BSBV and the extent that impact of the BSBV plan on Surrey residents was considered. The SRO for BSBV Rachel Tyndall explained that the expectation had been that the merger between Epsom and ASPHs would proceed and services be maintained at Epsom. There was representation from Surrey as the Chief Executive of NHS Surrey or her Deputy were involved as were members of Surrey Link. In the more detailed groups such as Finance, Surrey representation was there in the form of Consultants from Epsom and St Helier though they were there for the St Helier part of the business. It was stated BSBV

was interested in Surrey residents who used Kingston Hospital and St Helier Hospital in addition to those who used Epsom Hospital. In terms of future proposals the needs of Surrey residents who use St Helier (especially for surgical emergencies as Epsom does not provide this) were being considered as were the needs for the Renal service which Surrey residents use .All these factors are taken into account in modelling. It was stated that now that the transaction is halted BSBV are embracing Epsom and looking at the needs of the Surrey population and their usage.

11. Members asked what involvement the CCG had with BSBV or the Epsom merger process and why NHSSoE required clarification of the CCG's commissioning intentions for Epsom and if this request had impacted on the halting of the merger. The SRO for BSBV reported to members that until the merger was halted the principal contact for BSBV had been NHS Surrey though in August 2012 a meeting had taken place with Surrey Downs CCG to obtain their involvement and it was acknowledged that if the process was being repeated they would be involved earlier. It was reported that all Surrey Downs GPs wished to reduce avoidable hospital admissions and commissioning intentions were dependent on how much budget had to be saved though it was noted that income had increased at Epsom more than originally anticipated which was the "good news story referred to above.
12. It was stated that the CCG have no firm commissioning plans yet and therefore for the purposes of the merger projected need had to be calculated on the basis of information available.. There was concern from members that the decision of BSBV to move the EOC from Epsom had harmed the merger process and will result in increased capital costs. Members also raised concerns that boundary issues were adversely affecting strategic decisions which from a Surrey perspective was difficult to understand.. It was accepted by BSBV that the impact of the EOCs contribution to running costs was a contributory factor to the halting of the merger but it was only one of a number of factors.. Members were informed that the merger had failed for a number of reasons and that uncertainty around commissioning intentions was also certainly one of these factors as there was uncertainty here. Another factor had been the decision to move the EOC. It was acknowledged that boundary issues can get in the way in decision making and that the situation should improve from April 2013 .It was considered these were only factors contributing to the reasons why the merger failed and were not any more important than other factors.
13. Members expressed their concern that the decision to move the EOC from Epsom and the halting of the merger had meant that NHS London could take control of Epsom and that it could then be sacrificed for other objectives. The SRO for BSBV assured Members that BSBV were motivated to provided good sustainable services for residents but that more had been spent than was available and that all had to live within their income. All organisations involved were working for the benefit of the community to achieve this.
14. Members expressed their concern over continued uncertainty and a strong desire to ensure the best interests of Surrey residents are

protected. Members of the Transaction Board explained to Members that the reason why the merger had been launched was to meet the deadline to become a Foundation Trust. In essence, this enables a Trust to hold a licence to operate rather than it being seen as the sole vision for delivering high quality care that meets healthcare need. In order to obtain Foundation Trust status it is necessary to have good quality services, appropriate governance and a credible 5 year financial plan forecast to have a 1% surplus. It is this last requirement that the Trust has struggled to meet as a deficit organisation. A solution is being sought and work is taking place with BSBV as the current situation cannot continue and a sustainable future has to be achieved. Until it is clear what the impact of BSBV will be and commissioning intentions are known as to which services are required no further action can be taken by Epsom Hospital to establish if it should be or be part of a Foundation Trust..

15. The SRO for BSBV reported that plans for a planned care centre at St Helier had been put aside with the halting of the merger and that it was hoped that BSBV would have credible service options ready by March 2013. In this respect BSBV were mindful of the need to engage with Surrey residents and have financial plans in place for their proposals. It was said that this may mean if necessary the March deadline will have to be extended later than anticipated balancing the need for certainty with the need for time to consult and prepare thorough plans. On behalf of ASPH it was explained to members that support remained for Epsom with an overall aim for a joined up system with community providers.
16. Members expressed concern as to the costs of the failed merger which were stated to be £2.7m plus ASPH's own costs (subsequently reported as £0.51m). Members were assured that the funds came from a Special Projects Fund not used for services and that part of work done for this process was useful work and had to be done in any event.
17. A request was made that the Deloitte report be made available to Members and this will be passed on.
18. The Transaction Team expressed their deep disappointment that the proposed merger had failed and thanked staff and Members for their support

Recommendations:

1. The witnesses are thanked for their attendance today and for contributing to the frank discussion about the future of Epsom Hospital.
2. The Committee expresses its strong disappointment at the cancellation of the merger process between Epsom Hospital and Ashford & St Peter's Hospitals and its concerns about the process leading to that decision.
3. The Committee formally calls on Epsom Hospital and Ashford & St Peter's Hospitals and other health organisations in Surrey to re – open

discussions on joint arrangements seeking improvements in care and organised efficiencies either through management steering or eventual merger: and

4. The Committee is concerned that boundary issues appear to have been a factor affecting the roll out of Better Services Better Value(BSBV) and calls for a wider and more independent review of acute provision in the sub-region.

7/13 PERFORMANCE AND QIPP UPDATE [Item 7]

Declarations of Interest:

None.

Witnesses:

Justin Dix, Acting Director of Governance, Transition and Corporate Reporting, NHS Surrey

Malachy McNally, Director of Finance, NHS Surrey

Key Points Raised During the Discussion:

1. The Acting Director of Governance, Transition and Corporate Reporting apologised to Members that no recent performance Report was available due to staffing problems and stated that information would be sent to the Scrutiny Officer for circulation. A brief outline was given at the meeting and it was reported that performance is good against QIPP and performance targets. There were some difficult issues to deal with such as Norovirus (East Surrey Hospital in particular has had problems with this which were being addressed) and the recent snow but transport arrangements had been good and very well supported with the assistance of the volunteer 4x4 drivers.
2. The Performance function was now passing to CCG's and they were becoming engaged and were establishing good relations with acute services. It was reported that there did not seem to be any impact on performance during the transitional period.
3. Members were informed that it was anticipated that The Francis Report which was due to be published on 5 February 2013 would be very important to the future management and expectations as far as care quality is concerned. The implications of this Report would be discussed at the final NHS Board meeting in March 2013.
4. Members asked whether there were any financial issues they should be aware of which may affect the ability to meet savings targets and if they were not met what the impact of this would be. It was reported that there was some slippage and concern in some areas (for example at the Ashford & St Peter's A \$ E) but that it was hoped the CCG's would deliver and it was considered that they have developed clear, robust plans to do so. It was explained that the CCG's have had a 2.3% uplift to their budgets but levels of inflation and growth meant that this is sometimes seen to be a reduction in budgets. Members

were concerned as to the impact on services that may arise from meeting savings targets. It was stated that each plan had implications and choices would have to be made with budget allocations but that CCG's were collaborating together as a Surrey wide group which was encouraging for Surrey residents.

Recommendations:

1. The witnesses were thanked for their attendance today and their assistance to Members.
2. Members were supportive of all efforts made to seek to meet QIPP targets and performance objectives but were keen to ensure services to Surrey residents were appropriately maintained during the transitional period and beyond and that all efforts were sustained to meet challenging objectives.
3. Members to be provided with a guide to the measures on infection control required by hospitals and noted that there is much agreement on best practice.

8/13 RECOMMENDATION TRACKER AND FORWARD WORK PROGRAMME [Item 8]

Declarations of Interest:

None.

Witnesses:

Leah O'Donovan, Scrutiny Officer, Democratic Services

Key Points Raised During the Discussion:

1. The implications and issues arising from The Francis Report to be included in the Work programme for future consideration.
2. A series of meetings has been arranged with the new CCGs. The intention is for the Chairman or Vice Chairman to attend in each case with Members attending the meeting of the CCG for their division
3. Members should make any other comments on the Work programme or recommendation tracker to the Scrutiny Officer by email.

9/13 DATE OF NEXT MEETING [Item 9]

Noted that the next meeting of the Committee would be held on 14 March 2013.

Meeting ended at: 12.53 pm

Chairman